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The MAGAZINE of WALL STREET

FEARLESS - FORWARD LOOKING - FORTNIGHTLY

Vol. 20. May 26, 1917 No. 4.

THE OUTLOOK

The Appeal of the Liberty Loan—Economic Principles Involved—Effect on the Markets—Business Activity—The Situation Summarized

WHILE the attention of the investment public is for the most part centered upon the Liberty Loan, this has not prevented a sharp advance in speculative stocks. The best improvement has taken place in the industrial issues, but the railroads also have shown ability to rally from their extreme depression.

Prospect for the Loan

THE idea held by many optimists that the Liberty Loan would practically sell itself and that the popular rush to subscribe would result in a heavy oversubscription has had to be abandoned. The U. S. Treasury Department, especially, has all along been a victim of over-confidence in regard to the practical methods of floating the loan. Uncertainty in regard to details, such as the maturity of the bonds, the terms of conversion into any later issue bearing a higher rate of interest, and the face value of the smallest bonds, has tended to restrict subscriptions.

This is, however, no time to haggle over details or to ask who is at fault. The whole country must pull together in providing funds for the vigorous prosecution of the war. The machinery is at last being set in motion and there can be no doubt that the loan will be a success—but not without united effort.

Banks and trust companies are already organizing their publicity departments for more aggressive pushing of the loan. Department stores are opening subscription booths. Street car advertising, moving picture houses and posters will help to get at the people. Public service corporations will send out announcements of the loan with their monthly bills. Private corporations and firms will urge their employees to participate and will help to make it easy for them to do so. Bond, brokerage and private banking houses are spending many thousands of dollars and a great deal of time in the work without compensation. The importance of their aid can hardly be over estimated.

The Appeal Not to Patriotism Alone

THE strongest appeal is to the patriotism of the people—an appeal to which America has never failed to respond. But that is not the sole ground upon which the sale of the bonds should be based.

In the matter of safety these bonds will be the world's premier security. They will represent the highest obtainable degree of solidity and conservatism in investment.

From the viewpoint of yield, they will compare favorably with any other security of the highest grade. While the interest rate is nominally 3½ per cent., the fact that the bonds are tax-free really raises the yield to 4 per cent., 4½ per cent., or even higher, according to the locality and income of the subscriber.

In the matter of appreciation of principal, the outlook for the bonds is especially attractive. If the Government pays higher interest rates later in the war—as is probable—these bonds will get the benefit of the advanced rate through their convertible feature. Hence they can scarcely decline in price. But after the war, when the credit of the Government and the supply of capital becomes normal, the Liberty Loan will undoubtedly sell at a substantial premium, and perhaps at a very high one.

The Certificates of Indebtedness

IN the meantime the Government continues to place temporary certificates of indebtedness with the banks at rising rates of interest. The first lot were placed at 2 per cent., the second at 2½ per cent., the third at 3 per cent., and $200,000,000 more have just been issued at 3¼ per cent. By June 15, when the Liberty Loan offering closes, nearly or quite half of it will have been anticipated by the temporary certificates, which are convertible into the long-term bonds.

The banks will of course do their best to distribute either the temporary certificates or the bonds into which they are converted among their customers, but it is apparently inevitable that a part of the Liberty Loan will in this indirect way, land with the banks and trust companies themselves. It would be better if this could be avoided, as it tends toward banking inflation. But no country at war has ever yet succeeded in avoiding inflation and doubtless we shall be no exception.

Where Will the Money Come From?

INVESTORS were temporarily paralyzed by the idea of raising $5,000,000,000 for bonds, in addition to being called upon to pay very heavy current taxes. The natural question is, "Where is such a sum to come from?"

The $2,000,000,000 now called for is somewhat less than one per cent. of the wealth of the United States. But very little, proportionately, of that wealth is in liquid form. It is nearly all represented by various kinds of property, and very little of that property can be directly used in fighting the war. We have to fight the war now, not in the past. We have to apply all of our surplus efforts, our surplus labor, to the war; and those of us who cannot do that directly have to do it indirectly by turning toward war purposes, so far as practicable, our current savings and accumulations.

These accumulations are necessarily gradual, and the Government cannot get them all. Hence it is necessary to anticipate and supplement them by banking credits. These credits will later be paid off by gradual savings out of current income.

That is, of course, the philosophy of issuing temporary certificates of indebtedness. They enable the Government to expend a great deal of money at once by drawing upon the credit of the banks, and the theory is that these bank credits are to be wiped out by the subscriptions to the Liberty Loan. They ought to be all wiped out in that way before more bonds are sold. That would be the ideal condition, but it is not at all probable that it can be done. We should come as near to it as possible.

Accounting for the Markets

MANY investors are puzzled over the fact that the highest grade investment stocks and bonds are weak while speculative issues are strong. That is because we are drawing upon our permanent capital for current expenditures. The withdrawal of capital depresses those securities which have a fixed interest or dividend return, or which are dependent for their interest or dividend pros-

pects upon the sale of products or services at rates which are fixed by law or have become fixed by custom. But at the same time the expenditure of that capital by the Government inflates the market value of securities.

In a general way, this condition must continue while the war continues. We shall have a high income yield and relatively low prices for strictly investment issues, and good profits and relatively high prices for speculative stocks.

Situation Partly Discounted

IT is to be remembered, however, that bonds and investment stocks have already suffered a considerable fall. Investment markets do not wait for a thing to be finished before prices respond to it—they wait only until investors can see what is going to be done. So this situation has already been to a great extent discounted by the big drop in prices since last December.

It is equally true that the good prospects for speculative stocks have been partly discounted. Before we entered the war, the big war purchases of the Allies had already resulted in high pressure activity for nearly all of our great industrial companies, and prices had had a tremendous advance on that basis. A part of that advance was lost in the liquidation of last winter, but since then a part of the loss has been regained, so that the general level of industrial prices is still high as compared with any price level before the war.

Continued Rather Than Increased Activity

WHAT we must expect, therefore, as a result of our own war activities is a continuance of industrial high pressure, rather than any great increase in it. Our mills and factories are already flooded with orders and are, as a rule, operating at full capacity. They cannot do much more than that, for with the present high cost of materials and labor and the constant Government demands it will be difficult to enlarge present capacities.

But continued activity means for many companies a further piling up of profits at an abnormal rate of accumulation. It is that feature which points toward higher prices for their stocks. Several of our steel companies, for example, are earning about 50 per cent. annually for their common stocks. The current level of prices has not, it is unnecessary to say, discounted the continuance of that remarkable situation for any great length of time. Investors have persistently looked upon such conditions as abnormal and temporary. Therefore the longer those conditions actually do continue, the higher the prices at which such stocks are legitimately entitled to sell.

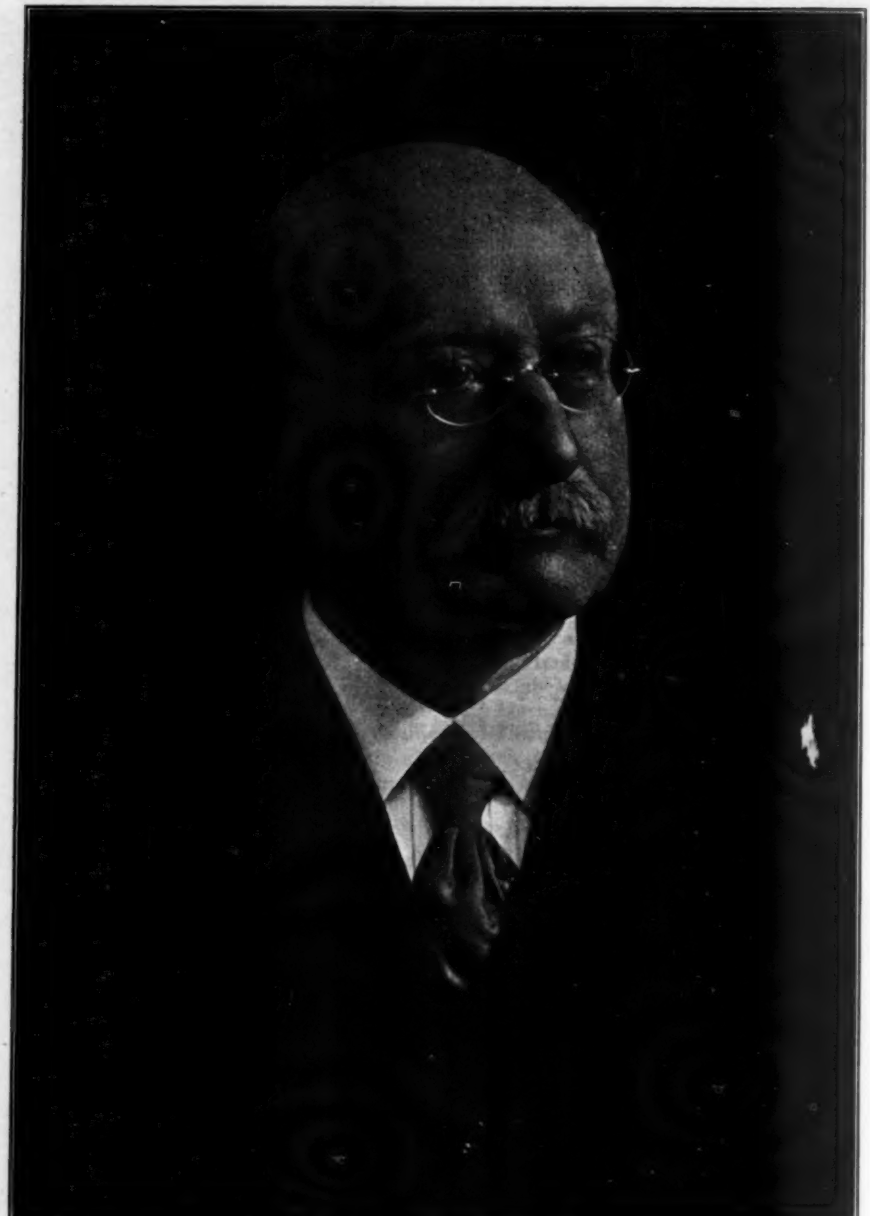
The Situation Summarized

IN brief, then, we have a prospect for a slow and gradual upward trend in money rates, for inactive and perhaps somewhat lower markets for high grade and second grade bonds; for irregular movements in speculative bonds—since some of these issues may be benefited by special conditions, notably the proposed railroad rate increase; and for generally higher prices on speculative industrial stocks.

For railroad stocks the outlook is in doubt. If the rate increase is granted, it would seem that present prices might be somewhat improved; but when we come to figure on the effect of the new income taxes, the influence of conscription on the cost of railroad labor, the possibility of still higher prices for coal, equipment, etc., and the unknown results of Government demands for transportation, in addition to the other uncertainties which existed before these new factors were added, the problem becomes so complicated that we seriously doubt whether any definite solution is possible at this time.

As this is written, large operators appear to be engaged in marking up the prices of the steel and leading war industrials, and their activities on the bull side point to much higher prices for these classes of securities.

—May 21, 1917.



MR. ADOLPH LEWISOHN

Adolph Lewisohn, capitalist and philanthropist, whose analysis of the present copper situation appears in the following pages, was foreign born but has been in America for half a century and is American to the core. When he first came to this country, shortly after the Civil War, U. S. Government bonds were selling at 30, gold. He bought them at that time and the Miami Consolidated Copper Co., of which he is president, is now subscribing for $1,000,000 of the new Liberty Loan issue. Mr. Lewisohn's faith in America and the American people is illimitable.

Adolph Lewisohn on Copper

An Interview with the President of Miami Consolidated—War and Peace Demands—Why Copper Stocks Have Not Boomed—A Look Ten Years Ahead

By BARNARD POWERS

THE name of Lewisohn has been identified with the American copper industry for nearly a half century. Mr. Adolph Lewisohn, whose remarks on the present position and future prospects of copper, follow, is one of the pioneers in the business. He was born in Hamburg, Germany, 68 years ago, but came to this country shortly after the Civil War and this year celebrates 50 years of American citizenship. With his brother, Leonard Lewisohn, now deceased, he formed in 1889 the Lewisohn Importing & Trading Co., which dealt in ostrich feathers, bristles, horsehair, wool, and last, but not least, metals. From the latter, as in the case with the Guggenheims, the step to mining was but a short one. The Importing & Trading Co. did a large business in Spanish lead and in 1878 Mr. Lewisohn and his brother went to Montana and became interested in the Colusa mine, later the Boston and Montana and now one of the chief producers of the Anaconda group. Mr. Adolph Lewisohn was for ten years president of the United Metals Selling Company, which at that time was the largest seller of copper in the world. When the Amalgamated Copper Company was formed the United Metals Selling Company came into the control of Henry H. Rogers and his Standard Oil associates.

Active at Sixty-Eight

At the present time Mr. Lewisohn is president of the General Development Company and the Miami Copper Company, besides being an officer and director in a dozen other corporations and a number of banks. Although in his 68th year he is actively engaged in business, but makes it a rule to devote only half of the working day to business matters. The other half he gives to the various constructive charities in which he is interested and which are too numerous to mention in detail. One of his pet hobbies is prison reform. His theory is that a prisoner is one who should be cured not so much as punished. "Among prisoners you find many men with much more than the average intelligence and ability," he remarked. "How much better off the world would be if their brains could be put to some constructive work instead of being allowed to stagnate behind bars." His theory of prison reform is one of economical efficiency. He has a truly Rockefeller abhorence of waste. "We have learned to utilize by-products in our industries; why not learn to utilize prisoners, the by-products of civilization?"

Development of the child is another one of his hobbies, but he is sternly set against anything savoring of paternalism.

"The chicken that scratches for itself is the sturdiest," is one of his homely but forceful maxims. Among his manifold activities Mr. Lewisohn is an ardent horticulturist and the famous Lewisohn chrysanthemums are a feature at all the important horticultural shows.

Not the "Financier" Type

I waited for Mr. Lewisohn by appointment in his private office, spacious, soft carpeted and mahogany furnished, towards the close of a very busy day. After the hurly-burly of Broadway the quietness of that big room 32 stories above the street level, was almost cathedral-like. From one row of windows the Statue of Liberty rose out of the glistening waters of the Bay, while from another row the smoke of the Jersey factories added to the haze which brooded over the distant Ramapo mountains.

Adolph Lewisohn neither looks nor talks like the financier immortalized in the popular novel and play. Somewhat less than medium height, he walks with

quick, nervous tread, somehow reminding one of the woodsman. His face is keen but genial; behind heavy spectacles his pale blue eyes twinkle with animation and friendliness. His words do not come easily, perhaps for the reason that his mind moves so much faster than speech, but when he warms to his subject they pour forth in a quick torrent. Without time-consuming preliminaries he launched into the topic of my visit—copper.

Scarcity of Copper

"As long as the war lasts there will certainly continue to be a large demand for copper," he said. "At the present time spot copper is scarce; there is little to be had. There is a big demand, too, for copper for late delivery. The shipping industry is calling for large amounts of copper and that demand will undoubtedly continue even after the war.

"We cannot tell what will happen when peace comes. Anything I might say would be merely a repetition of the things that have been talked over for the last two and a half years. You must remember that copper is now much higher than it ever has been before in recent years. If real peace came and demand slackened, there undoubtedly would be some decline in the price of the metal.

Peace Prospects for Copper

"Germany will be a large peace purchaser. In former times she was a very large consumer but a good part of that copper, how much no one can say, was for war purposes. We cannot tell when the peace we talk about will come, or whether it will be on the basis of no further wars. We do not know whether we will be able to make a peace that will stop arming or not. We hope that perhaps a league to enforce peace will make one force do for all, but we may not be able to make the peace we wish."

How Germany Has Managed

Speaking of the astonishing manner in which the Germans have been able to make their metal supplies hold out, Mr. Lewisohn referred to the Mansfield mine in Germany. "That was worked in Luther's time; Luther's father was employed there and so was Luther. Afterwards he became a monk. Something like my own case," he said, with a reminiscent smile. "Fifty years ago, when I had been in business with my father for scarcely more than six months, I thought I would like to go to the university and study. It seemed to me that there was nothing ethical in buying and selling goods."

Mr. Lewisohn suggested that perhaps the Germans have found some substitutes for copper in munition making and that they undoubtedly used the same metal over and over again, to say nothing of such copper which may have leaked through from neutral countries.

Why Copper Stocks Have Not Boomed

Asked why copper securities in general have not responded more to their large earnings, Mr. Lewisohn said:

"It is simply a question of buying and selling. Those who bought coppers for investment have doubtless bought a long time ago. Those who buy stocks with the idea of selling them at higher prices did not see such a great opportunity for a big advance in the copper shares. Perhaps they figured that the present high prices for copper will only last for a short time. They were more interested in the war stocks of the kind which they bought, for instance, at 40, and hoped would be at 50, 60 or even 70 very soon. Nevertheless, the coppers are cheap. Take Miami, for example. We have between $8 and $9 in quick assets and will make another $10 a share this year, so that Miami might be considered as selling at around $20 instead of $40. Speculators figure that Miami is not likely to go much lower but they also figure that it may only advance a few points and they are not interested in a few points in these times. Moreover, people do not strike out very much in war times and Government taxes and Govern bonds will now require great amounts of hard cash."

Looking Ten Years Ahead

Asked what the long range prospects for copper for the next decade were, Mr. Lewisohn replied:

"That is a pretty large order, but I should think that a high price of 25 cents a pound and a low price of 15 cents with an average near 20 cents a pound would be a reasonable supposition.

Selling Capital

To the outsider this might seem an unduly large profit but the outsider does not stop to consider that we are selling our capital. He who sells coffee or cotton makes a profit on production which he can repeat indefinitely, but no matter how much we have, it does not grow again. It is what we own; after we sell it it is gone forever. Sometimes we get a fair price and sometimes not."

Copper Price Not Artificial

On the matter of whether demand is equaling supply, Mr. Lewisohn said that all that is being produced is being used. Copper prices might be manipulated to present levels or forced there by holding back part of the supply, but neither is the case at this time. "Production gains, but slowly," he observed. "We hear of so much more production per month but at the same time demand keeps on steadily upwards. With the United States in the war it looks as though consumption might exceed production. As a matter of fact copper producers do not like to see the metal so scarce."

Government Prices for Copper

Mr. Lewisohn expressed the opinion that the Government would pay current prices for copper and that the copper industry would bear its burden of war expense through excess profits taxes. He evidently believed that it is not the function of the Government to interfere with prices as determined by the laws of supply and demand and that the only fair and good policy is for the Government to pay current prices and raise the required revenue by income, excess profits and other taxes.

"If copper interests could be certain of an average of 20 cents a pound for the next ten years—" I remarked, as I rose to go.

"If that was assured, then all copper issues would sell very much higher," he replied swiftly. "As a matter of fact, there is little likelihood of a material decline in copper while the war lasts. On the contrary, I fear prices are likely to be even above present quotations."

Liberty Loan Bond Salesmen Meet

Five hundred bond salesmen, making up the "Liberty Loan Volunteer Army," which is to push the sale of the Government Bonds in the Second Federal Reserve Bank District, met at the Bankers' Club recently at the call of the Liberty Loan Distribution Committee, to receive instructions both from the technical point of view, as well as from that of patriotism. The men are furnished by bond houses, and the operating expenses of their campaign are to be paid by the Government.

"You are patriotic propagandists—you are just as patriotic as the men at Plattsburg or in the army or navy," said Allen B. Forbes, introduced as the dean of the bond distributing profession by C. E. Mitchell of the committee who presided. "You must bring home to every man, woman and child in the United States, who can save money, that they are not doing their bit unless they subscribe to this loan. Your duty is to bring home to every one of them that they are not doing their duty unless they subscribe. This must be a great popular Liberty Loan. Yours is to be a campaign of educating small investors. Employers of ten, twenty or fifty men should be shown that they can aid by subscribing for bonds for their employees and let them pay for them out of their salaries. The recent German loan was subscribed to by 6,000,000 people, the last British loan was subscribed to by 8,000,000, and on that basis in proportion to population there should be subscriptions to the United States Liberty Loan from 12,000,000."

Causes of Investment Liquidation

The Proposed Income Tax—The Rise of Commodity Prices

By JOSEPH T. WESTLAKE

IN recent markets those issues usually considered the best—the "standard" stocks—have been the weakest, while the speculative stocks, which the "conservative" investor is usually counseled to let alone, have held their own much better.

This is not due to "bear attacks" on the highest grade securities, although the bears have very naturally been quite ready to go with the current. That the decline has been due to something more than short selling is entirely clear to all observers of the market.

A variety of explanations and excuses have been brought forward to account for the decline—the fear that dullness of business will result from excessive taxation; the prospective shortage of capital likely to result from the big war demands by the U. S. Government; the unsettled situation in Russia; the increased destruction of shipping by the Teutonic submarines; the probable checking of consumption by the high and still rising cost of living; fear that the railroads may not get the full 15 per cent. increase in rates; the belief that the Commerce Commission will not permit the roads to raise their dividend rates during war; the spread of the view that the end of the war is not yet in sight.

Doubtless all these factors, and still others, have affected the minds of individual investors and have created additional inducements to sell, but there have been two factors of such importance as to outweigh all the rest—(1) the very heavy supertaxes proposed on large incomes; and (2) the effect of a rising price-scale on the securities of companies which sell their product at a fixed rate.

The Income Tax

The Taxation Bill as introduced into the House of Representatives will very likely be changed in the Conference Committee after it has been discussed by the Senate. Yet such heavy taxation as this war will make necessary must of course fall for the most part on the people who have the money to pay it, and very high supertaxes on large incomes are a certainty.

It is worth while, then, to analyze the results of the bill as it now stands. These are shown in Table 1. The per cents. as given are for the married investor—the single investor would pay a little more tax because his exemption limit is lower.

The bill would take from the married investor having an annual income of $4,000, 1 per cent. of his income. Hence if he is receiving 4 per cent. in dividends or interest on his securities, this rate would be reduced by the income tax to 3.96 per cent., and any higher rate of interest would be reduced in the same proportion.

The higher the annual income the greater the proportion of it appropriated by the tax. On a $15,000 income almost 5 per cent. would be taken by the tax, so that a 10 per cent. dividend rate, for example, would be reduced to 9½ per cent. On a $50,000 income a 5 per cent. interest rate would be reduced to 4½ per cent. and a 10 per cent. dividend to 9 per cent.

But the greatest interest attaches to the effect on those investors who have incomes of $500,000 annually or more. since they are to be taxed over 33 per cent. This turns a 6 per cent bond into a 4 per cent. or even a 3 per cent. bond, and a 7 per cent. stock is shaved down to 5 per cent. or 4 per cent. The number of persons having incomes of this amount is, of course, relatively small—but on the other hand, so far as effect on the market is concerned, the man with a $500,000 income is equal to 100 men having $5,000 incomes, and he is to be taxed 33 per cent. while they are taxed only 1.6 per cent.

A Confusing Result

There is evidently a strong inducement for the very wealthy to sell their taxable securities and put the money into the tax-free Government bonds. But the situation is rendered confusing

by the fact that the same bond or stock is worth very different prices, on an income basis, to investors having different incomes.

The 3½ per cent. tax-free bond would be worth as much—taking into consideration other taxes besides the income tax, and the greater safety of the Government issue—to a man having a $1,000,000 income, as a prime 7 per cent. preferred stock; but to a man with a $5,000 income, it would be about on a par with a 4 per cent stock. The investor having an income less than $200,000 would hold his 5 per cent. bonds in lieu of the 3½ per cent. Governments, unless he thought it patriotism to make the exchange; but those having more than $200,000 incomes would be able to make the change on a profitable basis, if it could be made without much loss in the selling of their original holdings.

Another uncertain element in this situation is the duration of the high income tax. The war taxation is intended to be temporary—how temporary no one can say. It would be annoying to the man with a big income if he should sell his 5 per cent. bonds at a loss and shift into the tax-free Governments, only to see the war end unexpectedly and the heavy supertaxes disappear into the limbo of forgetfulness.

Take the investor with a $1,000,000 income. His stocks paying 5 per cent. dividends will net him only 3 per cent. after deduction of the tax. He can get ½ per cent. better, with greater security, by changing into the Government bonds. Assume that the war taxes are in force two years, after which the income tax is reduced so that the 5 per cent dividends would net him 4½ per cent. Figuring out the possibilities of this situation, we find that this investor could perhaps afford, all things considered, to take a ten point loss on his stocks for the sake of getting into the Government bonds. But the average 5 per cent. dividend-paying stock is already ten points below normal.

Still further, after the war there would be, under the above assumption, investors of smaller incomes who would get more than 4½ per cent. net out of 5 per cent. dividends, and they could afford to pay more for the stock, so that it would sell on a higher plane than would naturally be established by investors with $1,000,000 incomes. This is a point he will have to allow for.

On the other hand, the 3½ per cent. Governments are convertible at par into any subsequent issues bearing a higher rate of interest, which introduces another feature of uncertainty into the situation.

With so many and such complicated influences affecting the investment market it is impossible to draw definite con-

TABLE I

REDUCTION OF INTEREST OR DIVIDEND RETURNS TO MARRIED INVESTOR UNDER THE HOUSE TAXATION BILL.

Annual Income	% Taken by Income Tax	Per Cent. Net to Investor, after Tax, on Securities Paying:						
		4%	5%	6%	7%	8%	9%	10%
$4,000..........	1.00%	3.96	4.95	5.94	6.93	7.92	8.91	9.90
5,000..........	1.60	3.93	4.91	5.90	6.89	7.87	8.85	9.84
10,000..........	3.55	3.86	4.82	5.79	6.75	7.71	8.68	9.64
15,000..........	4.87	3.80	4.75	5.70	6.66	7.61	8.56	9.51
20,000..........	5.90	3.76	4.71	5.65	6.58	7.53	8.47	9.41
50,000..........	9.56	3.62	4.52	5.43	6.33	7.23	8.14	9.04
100,000..........	14.18	3.43	4.29	5.09	6.01	6.86	7.73	8.58
200,000..........	21.09	3.16	3.95	4.73	5.52	6.31	7.10	7.89
300,000..........	26.39	2.95	3.68	4.42	5.15	5.89	6.63	7.36
400,000..........	30.55	2.78	3.47	4.16	4.86	5.55	6.25	6.94
500,000..........	33.03	2.68	3.35	4.01	4.69	5.36	6.02	6.70
1,000,000..........	40.02	2.40	3.00	3.60	4.20	4.80	5.40	6.00
10,000,000..........	48.85	2.05	2.56	3.07	3.58	4.09	4.60	5.11

clusions as to the extent of the decline in values warranted by the income tax prospect; but we can see that it has had an important influence toward investment liquidation, which may not yet be over.

Effect of Rising Prices

The second great factor in the decline has been the influence of rising commodity prices. Table 2 shows the advance in three classes of investment stocks from the low point of 1914 to the highest since then, and the proportion of that gain that has now been lost.

TABLE II

THE FALL IN REPRESENTATIVE INVESTMENT STOCKS, BY CLASSES.

	Low 1914	High Since 1914	Price May 12	% of Gain Now Lost
Leading Rails:				
Atchison, T. & S. F.	89	111	99	55%
Baltimore & Ohio	67	96	69	96
Chic. M. & St. Paul	84	102	71	172
Erie, Common	20	45	23	88
N. Y. Central	77	114	87	73
Norfolk & Western	96	147	119	55
Northern Pac.	97	119	99	91
Reading	68	115	86	62
Southern Pac.	81	104	90	61
Union Pac.	112	153	132	51
Average	79.1	110.6	87.5	73%
Public Utilities:				
Am. Tel. & Tel.	114	134	118	80%
Brooklyn Transit	79	93	58	250
Cons. Gas of Balto.	102	130	112	64
Cons. Gas of N. Y.	112	150	105	118
Laclede Gas	85	119	96	68
Mackay Cos.	61	91	82	30
North American	64	81	61	118
Peoples' Gas	106	123	77	270
Twin City Trans.	90	100	85	150
Western Union	53	105	91	27
Average	86.6	112.6	88.5	93%
Industrial Preferred:				
Am. Agri. Chem.	90	103	100	23%
Am. Car. & Fdy.	112	119	116	43
Am. Locomotive	95	109	103	43
Am. Smelt. & Ref.	97	118	110	38
Am. Sugar Ref.	108	123	117	40
Gen. Chemical	107	117	112	50
National Biscuit	119	130	115	136
U. S. Rubber 1st	95	115	106	45
U. S. Steel	103	123	117	30
Woolworth	113	126	123	23
Average	103.9	118.3	111.9	44%

If the present decline were due entirely to investment considerations, such as scarcity of capital, war fears, or taxation, then the proportion of loss to the preceding gain should be substantially the same for all these classes of investment issues. As a matter of fact it is greatest in public utility stocks; the rails have lost less in proportion; and the industrial preferred stocks have lost only about half as much as the others.

Rise in Commodities

According to Bradstreet's Index commodity prices have risen an average of about 70 per cent. since the war began. Industrial companies pay more for materials and wages and sell their products proportionally higher; but railroad and public utility companies pay more for materials and wages and sell their products at the same old prices. This point has been so frequently discussed that it is unnecessary to enlarge upon it.

The fall in these industrial preferred stocks may reasonably be taken to represent the influence of strictly investment considerations. The dividends of all of them have been paid regularly for years and in view of present large earnings can scarcely be said to be in doubt. They are not speculative stocks, but are held for the most part in the strong boxes of investors. Their advances and declines are largely due to influences affecting money, capital and taxation.

We may reasonably conclude therefore that the investment liquidation of 1917 is about half due to the big demand for capital and to heavy taxation, while the other half is to be attributed mostly to the effect of the great rise in commodity prices, including wages and costs of all kinds.

A 15 per cent. advance in railroad rates seems fairly well assured, and there is a considerable agitation in favor of a 6 cent fare for street and interurban railways. The latter movement will, of course, meet much opposition.

In the midst of so many unprecedented conditions it is hazardous to make predictions, but we can at least be sure that the extended decline in investment stocks has discounted much that is unfavorable in the situation.

Dr. Gourvitch

Filling the War Chest

How Wars Are Financed—Good and Bad Methods of Raising War Funds—Economic and Banking Interpretation.

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Part I—War Financing at Home

WHEN we speak of financing the war we allude to the means a State as a legal body has for commanding goods and capital needed to keep alive its military machinery. As money is a token which represents a claim to a certain amount of national goods, the problem of acquiring goods is reduced for the government to the problem of providing itself with money. In taking goods the government will have to acknowledge its debts in some form or eventually pay for them with actual gold, which is a universal token of wealth. That is the mechanism of finance.

Paying in Gold

The government may employ various methods for acquiring capital. It might pay for it in gold in the first place. The gold the government holds in its treasury represents unquestionable claims on capital—goods belonging to the nation. It could therefore exchange these claims on goods for goods needed. But as the amount of its gold is limited the practice is rather to try to keep this gold as the fundamental part of its financial machinery, since this machinery will be chiefly used for the manufacture of credits and money tokens. This delicate fabrication of credits can be established on the basis of gold only. Even when this gold is not obtainable from the government in exchange of its obligation, it is an index to the immediate liquid capital basis of its liabilities. On this account the government not only avoids paying out its gold funds but looks for measures with which to collect all the gold in circulation and hoarded, and store it in its treasury or in the vaults of the state bank. The advances a government controlled bank might be required to make to the government and thus allow it to dispose of the bank's resources, are the first financial supplies to which a government recurs. Moreover, the state bank will be called upon to put at the government's disposal its credit machinery with all its facilities for manufacturing credits and money tokens, as we shall see later.

Taxation

The second lever in the war finance machinery is taxation. In taxing its citizens it forces them to give up a portion of their capital, practically a part of their money. If a government could rely only on this expedient its financial policy would be very sound, for in that case the government could cover the war expenses with what it found within the border of its nation. The treasury would pay for the war expenses, that is, for the goods bought, with some other forms of

national wealth, and only slightly suffer from the inconvenience of hoarding money. But heavy taxation indicates large expenditures of capital by the government, and as the needs of the government absorb more and more capital the nation becomes weaker as a producer and her wealth decreases. Financing by taxation is, moreover, an unsufficient expedient in practice because the standards for just taxation are difficult to find.

Manufacture of Credits

The third resort is the manufacture of credits, government's promises to pay, that is, government paper currency, bank notes and treasury bills. These treasury bills, which represent an intermediate form from bank notes to loans, are actually government short term obligations. Treasury bills are offered to the public as short term loan obligations.

The usual way for the government banks is to take these treasury bills as government securities and on their strength swell the "deposit accounts" of the government or the circulation of notes which are exchanged for the treasury bills. Thus the state bank consents to exchange its own more popular, better known and more readily accepted credit, for the less known government credit. Naturally, the state bank by this conversion makes a profit, just as an investing trust, for the sake of a profit, buys securities of a corporation lacking cheap credit facilities and on the strength of the securities issues its own obligations. In England these treasury notes, called "Bradburys" from the name of the Secretary who signed them, are issued on the basis of gold. As is well known, the Bank of England notes are issued in proportion to the gold fund at a 4 to 3 ratio. Partly on the strength of English bank-notes into which these notes are convertible, partly on the strength of a gold fund held by the treasury, and partly on the strength of other government securities, these treasury notes were issued. A two-story credit building is thus cleverly erected on the gold basis.

In reality, this manufacturing of short credit instruments and especially bank notes is a forced loan and therefore in the end a forced taxation, since loans can be paid off ultimately only by taxation. But to the taxpayer the reality of this future taxation is remote and vague. By issuing short credit documents and money tokens instead of imposing taxation, or floating loans, the government avoids friction and protests, although it does not alter the fundamentals in the matter.

Difficulties Encountered

The first financial troubles which any government faced when war was declared are purely technical. People hoard money, and especially coin, and thus notes of large denomination cannot be easily exchanged. Even before the government has spent a dollar on the war it usually has to provide the nation with new paper currency of small denomination which is put into circulation in place of the hoarded coin; but as the war goes on the manufacturing of notes of every kind progresses and soon reaches a limit at which the gold funds do not support the tremendous credit structure erected on it. The tendency then is for the paper currency to depreciate.

As treasury notes are usually interest bearing, they become indirectly the most expensive form of taxation. If the nation needed all the money for productive ends, she could pay the interest of her treasury bills with the benefits earned from the capital used for production. Moreover, lending to the government under such conditions could be made a very safe investment, as it is in normal times when borrowed capital is used for railroads, ports, public works and industries, because in this case the more capital the government borrowed the richer the nation would become. In the same proportion would increase the potential taxability of its people and therefore the safety of the investments. In war, however, capital is used for immediate waste, although the ultimate economic goal of a war is greater production and saving. For instance, when a people have to choose to fight for life or to surrender and die as a nation, victory naturally means economic progress. Besides new market concessions, trade openings, indemnities are considered economic advantages of victory. During the war capital, however, is mostly consumed. Iron, steel, copper and many other

things are simply wasted, and the constant diminishing of capital diminishes the productive forces of the nation.

Bank Note Limitation

The limitations to manufacturing bank notes are to be found in the necessity which gives rise to the expedient. Money is brought to life with trade transactions, movements of capital, and therefore represents value. But when the capital is wasted, the paper brought to life to represent it remains after the capital it represents is gone. Consequently the paper is not supported by an amount of capital proportionate to what is generally recognized as a safe basis of issue. Depreciation of paper currency naturally follows. That always produces inflation of money values on account of the disproportion between the amount of currency and the actual movable capital, a situation which now exists in most of the belligerent countries. A similar inflation is produced by the excess of money as a result of large gold importations, as at present in the United States and the Scandinavian countries.

Loans

The government might avail itself of the accumulated wealth of the nation, to draw upon, by the instrumentality of loans. The accumulated wealth of a nation is represented by factories and machines, goods, foreign securities, gold, etc. The part a man holds in the wealth of the nation is represented by his actual money, or the money he could obtain in exchange of the goods in his possession. When he subscribes to a loan and brings to the government a certain amount of money—he surrenders to it his right on a certain amount of machines, materials, etc., although the money might be represented by an inconvertible depreciated bank note.

War Capital Not Always Easy

By making a loan the government offers, in the form of a bond, to pay interest for the use of the peoples' money, the principal of which it promises to return some day. It is not so easy for the government to command the accumulated wealth of its nation although offering attractive interest. A warring world is a world of uncertainties, and under such circumstances the government cannot attract all the money it needs because, first, a part of this money is actively engaged in trade and is needed there. As a practical matter some people find it more advantageous to use their money in trade than to invest it in the securities yielding 5 or 6 per cent, which the government offers for it. Other reasons handicap the government; the doubtful, for some classes, justice of its cause, unpatriotic feelings, and other moral factors. The chief one, however, is the chance of victory and the probable solvency of the government. The English are not, perhaps, better patriots than the Austrians, but to the English a safer investment is offered. On account of these handicaps the government is often obliged to recur to a forced loan under the form of unduly increased amount of notes, as it is understood in the case of Austria, the State Bank of which has long since given up publication of its balance sheets.

Requisition

The fifth expedient to which nations resort in raising war funds is the requisition under some form of goods, capital or securities. This may be done by requisition of the enemy's goods and ships, monopolization of her own industries, especially those on which the military machinery chiefly depends, such as railroads, shipyards, war industries, etc.; monopolization of food products industries on which she depends for her existence, or mobilization of foreign securities for financial reasons. Whether by requisition the government pays an interest calculated on an average profit for five or ten years, as in the case of railroads, war factories, etc., or whether it does not pay—is immaterial. The principal thing is that by this legal means the government enters into immediate possession of capital, while the arrangement by which its debts are acknowledged is a technical question.

Those are the five ways by which war is financed within the nation. How, then, is the war financed from abroad?

Financing from Abroad

It has been pointed out that both the productive capacity of the state as well

as its unproductive capacity, represented by the stored wealth, have absolute limits. These limits are reached as soon as people are no longer willing or able to part with their capital. The government then looks for ways by which capital can be borrowed from abroad. With the nation's gold and sound paper currency the government buys goods abroad. As long as other nations will accept a government's notes for the liquidation of her debts, there is no difference between the nation's gold and bank notes. Economically it means that a nation has always to offer some merchandise in exchange for the goods it buys; thus balancing the exports with imports. As long as the movements of importation equal the movements of exportation, bills of exchange are cleared and exchanged on the gold basis, which is the measure of capital values. But the very fact of the nation being at war means a decrease of her production and correspondingly a decrease of her exportations, while on the other hand, importations increase.

Foreign Securities

Both of these factors work in the same direction as the war goes on and the waste of capital continues. When a nation cannot pay all its imports with exportations, it has less claims on a foreign nation with which it trades than that foreign nation has on it, or, in the language of banking, she has less bills on foreign countries than the foreign countries on her. When this condition arises the government naturally looks for funds with which to pay its import balance. We know already that one of the forms under which a nation keeps its accumulated wealth is in foreign securities which intrinsically represent a claim on foreign capital and therefore has a gold value, which is expressed by the money values given these securities as they are dealt in on the stock exchange. The government could enter into any arrangement with the holder of such securities and take them from the holders. Such an arrangement might even take the form of a law which would oblige people to sell to the government these securities, similar to the law which authorizes the government to requisition the railroads. It is interesting to note that before England mobilized her foreign securities a large part of them were already sold back to America. The reason for this is that capital in London could find more productive use than the interest brought from securities. But what will that mean in the plan of banking? As high money rates in London weakened the security market there, and cheap money rates in New York strengthened the security market here, this made it advantageous to sell in New York at better prices American securities held by England. That is a usual arbitrage process by which Italy, for instance, got back her securities when her foreign exchanges became favorable.

Changes in Values

The prices of goods of varying character do not fluctuate simultaneously in response to changes in relative values. Foreign exchanges are very sensitive and always respond more quickly than anything else to variations in international values. Land, for instance, is usually the last economic good in adjusting its prices to the changed levels of values. Foreign securities stand between the exchanges and land in this process of adjustment. That is why foreign exchange arbitragers in a country of unfavorable exchanges take advantage of selling abroad foreign securities in order to create in the cheapest way in this foreign market funds on which to draw.

Economically that means that capital in England has a greater dynamical value than the same capital in New York because more is needed for productive purposes and therefore more offered for the use of it. That also explains why France did not sell out her American securities, they being spread among small investors who, as they could not more profitably use this capital for industrial purposes, kept them as a safe and good investment.

(To be continued.)

OUR "BIT" AND YOUR "BIT"

As the financial publication with the largest circulation and a great investment following, THE MAGAZINE OF WALL STREET is particularly impressed with its responsibilities at this time.

We intend to do our full "bit" and we know that our readers are anxious to do their "bit."

A DUTY AND A PRIVILEGE

It is the duty as well as the privilege of every citizen of the United States to subscribe for some part of the Liberty Loan. The percentage of the 100,000,000 Americans who will take direct part in this great contest is very small, but the percentage of those who may take an indirect part is very large.

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Richard D. Wyckoff

THE LIBERTY LOAN COMMITTEE

Left to right, sitting: Charles H. Sabin, William Woodward, Frank A. Vanderlip, George F. Baker, Pierre Jay, Jacob H. Schiff, James S. Alexander, Gates W. McGarrah, Thomas W. Lamont, Allan B. Forbes. Left to right, standing: Seward Prosser, Albert H. Wiggin, James F. Curtis, Ellsworth Gray.

MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment and Business Conditions

Big Men On Big Business

Different business but bigger and better business in the near future is the opinion of financial and industrial leaders. Herewith we publish extracts from observations made recently by two financiers whose opinions are worthy of the most careful consideration.

Frank A. Vanderlip, president of the National City Bank:

—*Financial America.*

THE MODERN ATLAS.

"The farmers are crying for labor and the whole world is crying for food; the greatest industries, like mining, lumbering, steel-making, cloth-making, transportation, ship-building, car building, etc., are clamoring for help; a million to two million men are wanted for the army and navy, and thousands of women will be wanted to take their places in shops and offices; the army must be clothed and shod. It is absurd under these conditions to talk of the danger of unemployment."

J. Ogden Armour:

"I consider the present the most auspicious period from the standpoint of national prosperity in my memory. There is not one good reason why the business of this country should not proceed in its normal course and on ever-increasing lines. There is not one reason why people should fear for the future or should permit themselves to be swayed from the certainty that they are on a sound financial basis. The per capita wealth of Americans today is greater than ever before—greater than that of the people of any nation at any time in the past or in the present. Our national wealth is past the wildest dreams of a few years back."

Liberty Loan Comments

Representatives of the Federal Reserve Banks and Treasury officials, who are in direct charge of the task of floating the Liberty Loan, virtually were unanimous in the opinion that a tremendous campaign must be carried on within the next twenty-seven days if the Liberty Loan is to meet with the oversubscription which officials desire.

The predictions that the big issue would be oversubscribed several hundred per cent., which were made on the face of the first returns of estimates of banks as to the probable amount they and their customers would take, have not been borne out thus far. There is a crying need, in the opinion of the officials, for the small investor in great numbers to make his power felt, and to bring the realization of this home to the country a vigorous campaign is being planned.

We publish herewith comments by leading bankers:

J. A. Alexander, president National Bank of Commerce:

"The Liberty Loan will be placed and the banks will do whatever may be necessary to insure its success.

"If the taxing program of the Government is to produce revenue to the extent estimated, business must be fostered and be continued on a profitable basis, and the incentive to do business, namely, profits, must be maintained. Any substantial cur-

tailment of banking credits results promptly in lessened business activity, and during the period of radical readjustment now in process it is essential that no problem of adequate supplies of money to conduct legitimate business should exist. Ample assurance should be had that banking credits will not be curtailed from necessity or otherwise."

Chas H. Sabin, president Guaranty Trust Co.:

"I have no doubt that there may be saved the lives of thousands of American men if we are prompt in furnishing money. By furnishing food and materials to help the allies who are now already trained and fighting, we can by this assistance hasten the end of the war.

"There is no doubt about the surety of investing in United States bonds, no matter how many are issued."

Jacob H. Schiff:

"With the schedule of taxes proposed in the War Revenue bill adopted by Congress the obligations of the United States Government will return a higher income than almost any corporate bond. If the war should be of long duration and taxes should be further raised in consequence, which is a possibility, the status of the Liberty Bonds will be in no way affected."

Britain Reduces Ships' Profits

According to information from London, by mail, Bonar Law will take means to reduce the enormous profits realized by ship owners.

Public opinion is that no trade has made such big profits. Shipowners have had a very profitable time, and the Government finds it necessary to deal with shipping in a special way. Complete requisition of all ships, except coastwise vessels, is one method, but another plan is to suspend, in the case of shipowners, the provision of the excess profit duty by which they could make up to the pre-war standard out of tax they had previously paid, the losses to which they might be subjected this year.

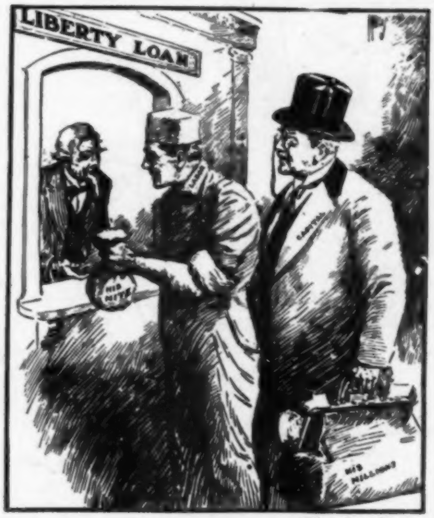
In London financial circles, it is thought that the British Government will reduce shipowners to an average pre-war profit basis.

"Co-operate."—Sec. Redfield

"The need of the hour in this country is co-operation," declared William C. Redfield, Secretary of Commerce, when he spoke at the closing session of the three-day convention held under the auspices of the National Association of Manufacturers at the Waldorf-Astoria.

"This is no hour for mutual suspicions, least of all for mutual attack. It is a time when all differences should be laid aside and all Americans should pull together with the one thought to make the power of the nation so felt in the world that men and women and children and small nations and large ones may live henceforth unmolested by autocratio power," he declared.

The speaker later on in his address pointed out the difference between thrift and meanness. He urged that all cultivate the land, buy Liberty Bonds or enlist. The secretary asked the manufacturers to lead the mighty forces they guide in such wise as to guarantee the result of the war.



—*The Annalist.*

DOING THEIR BIT.

Danger of Too High Taxes

Urging upon the Senate Committee on Finance that, if an excess profit tax shall be deemed essential, it shall be predicated upon a comparison of a selected normal period which shall give due consideration to the individual risk of the enterprise and the customary return upon the investment under such conditions, the National Association of Manufacturers sent a lengthy telegram to the chairman of the committee.

The communication, which gave the text of the resolutions adopted by the manufacturers, stated that the members of the association recognized their high obligations to make any sacrifice of property and income essential to the necessary support of the Government during the present crisis.

"But," continues the telegram, "we also believe that unjust taxation is indefensible in peace and may bring national calamity in war."

"Tax Big Incomes"—H. Ford

"I am heartily in favor of taxing big incomes to raise funds necessary to carry

—Louisville *Times.*

HIS FIGHTING FACE.

on the war," declared Henry Ford in a recent interview at Detroit.

"I deplore war as deeply as any man can. It saddens me to see so many of our excellent young men going forward to battle, and I shudder to think what their end may be. But they are going bravely, and while they are doing so I don't think big business has any right to try to shunt the expense on some one else, and we ought not to let any one get away.

"I don't believe in excessive incomes," concluded Mr. Ford. "I believe that those who get them should contribute a liberal share to the support of the Government."

"Face Railroad Crisis"—L. F. Loree

L. F. Loree, president of the Delaware & Hudson Railroad Company, says that the financial plight of the railways has emerged within recent months so that it can be seen by all and has now come to be a crisis, demanding action.

"If we take the curve of the cost of living being the fluctuations in the average wholesale prices of twenty-five food commodities selected and arranged to represent a theoretical family's food budget, and consider this as one of a number of significant tests, it will be seen that there began to 'come forth into view' in November, 1915, a significant rise in cost which has been steadily moving onward with increasing pitch to the present time and the end of which is not yet indicated.

"If, then, we consider the movement of stock market averages, it will be seen that the rise in the closing average prices of both twenty-five railroads and twenty-five industrials began toward the end of March, 1915, or about seven months before the beginning of the rise in the cost of living. It is frequently said of the exchanges that one of their chief functions is to discount the future and that their records of today forecast conditions six months hence. Certainly we have here a remarkable example supporting that contention. If this movement is significant it indicates in the present downward tendency of security value, that the exchanges felt as long ago as last November, that there was a failure on the part of those in authority to recognize the coming crisis, and if we consider their action of the past few weeks they forecast a veritable debacle unless intelligent, vigorous and decisive action is had at once."

U. S. Industrial Output

The latest official figures on industrial production in the United States are found in the report of the Census Bureau covering the calendar year 1914.

The group having the largest totals are those dealing with the great raw materials, their product being as follows:

Meat products	$1,651,000,000
Steel rolling mill products....	918,665,000
Cotton goods, including lace..	889,776,000
Flour and grist mill products..	877,680,000
Lumber and timber products..	715,942,000

The next group comprises the great mass of manufacturers in which the raw material is itself a finished product, and labor assumes a more important part. The largest of these are as follows:

Automobiles and parts........	$632,821,000
Railroad cars	514,000,000
Boots and shoes..............	501,760,000
Printing and publishing.......	495,906,000
Bread and other bakery prod'ts	491,893,000
Women's clothing	473,888,000

Men's clothing	458,211,000
Malt and spirituous liquors....	442,214,000
Leather goods	357,202,000
Electrical goods	335,170,000
Paper	332,147,000
Tobacco	314,884,000
Furniture	265,706,000

In the Detroit district alone the value of automobile production increased from about $275,000,000 in 1914 to $335,000,000 in 1915 and over $600,000,000 in 1916. The value of the product for the whole country was considerably over a billion dollars in the latter year. Other industries gained in the same period, but probably no others in the same proportion.

Banking and Brokerage Views

Moore, Leonard & Lynch.—It looks very much as though the upward move will go considerably further, provided the Russian situation does not take another bad turn, which would probably cause a temporary setback. From all viewpoints the steel and equipment stocks look the most favorable and should be a purchase on setbacks. Westinghouse Electric & Manufacturing has much in its favor. For the year ended March 31, 1917, it is expected that close to $15 a share will be earned on the common stock. Moreover, the $15,000,000 owed the company by the Russian Government will be paid out of the recent loan advance by the United States. The company has capacity business in its regular line and in addition will have all the rifle business it can handle for some time to come. The stock does not appear to have fully reflected the company's excellent outlook.

First National Bank of Boston.—The investment houses are giving their undivided attention to the new "Liberty Loan" and nothing else will claim any of their time until this is successfully placed, and successfully placed it must be, for it is one of the most important affairs now before the country and an over-subscription is essential.

Leading men realize that the responsibility for taking this loan must not be placed upon the banks, and that each individual must be made to feel that he must do his part however small, for this is the only way that the loan can be permanently placed and with safety to the entire financial situation. Overconfidence that the loan will be oversubscribed, resulting in the individual not keenly feeling his responsibility, is the greatest danger now and must be overcome.

J. S. Bache & Co.—The public is not inclined to enter the market as yet, and under such circumstances it is left more or less to the influences of the trading element. The prospects of a long war would mean that the present loan would have to be added to heavily, but the fact whether the amount is $7,000,000,000 or shall become eventually $30,000,000, practically the whole amount would be spent in this country, is an argument for a progressing increase of business here, with resulting continuation of general profits and large wages.

As soon as the great machine is adjusted to the changed conditions, we shall see still more energy displayed, more intense employment of all available forces, and better times than ever. This must eventually have a favorable effect upon the market. Securities, especially investment securities, are cheap. Industries making large profits will continue to do so. A share will go to the Government, but an abnormal amount will be left for the stockholders. Heavy assessments on incomes will mean that, instead of being spent or saved by their owners, large amounts will be used in purchases by the Government. This cannot hurt the country.

—*N. Y. Tribune.*

GOING AFTER THAT WAIST MEASURE.

Hayden, Stone & Co.—It is a most trying period through which we are now passing. We are experiencing now the financial difficulty incident to an adjustment to war conditions; later on there will come the financial benefits that always result from such conditions.

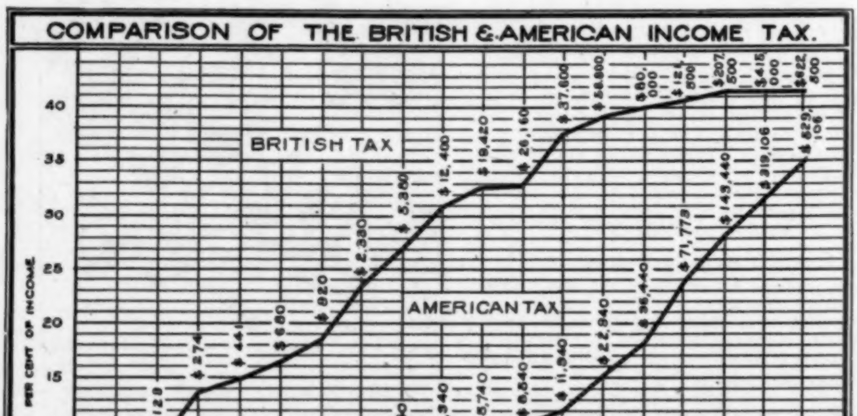
Perhaps some further readjustment is still in order, but certain things do seem fairly evident; one is that the ideal time to "cash in" has long gone by; secondly, that selling

today, though unquestionably by many actual holders of stocks, has been prompted more by fear than by actual conditions, except in so far as necessary by provision for subscription to Government bonds.

We believe that selling on this account must have nearly run its course. The buying today is, we believe, by men who invariably accumulate stocks under adverse conditions. If one has confidence in the ability of the United States to see this thing through, it seems to us this is the proper course to adopt.

Sheldon, Morgan & Co.—The manner in which the Liberty Loan subscriptions is proceeding bids fair to insure the success of the loan without any serious dislocation of the security markets beyond the probability that much of the apparent lack of initiative in the last three weeks has been due in a measure to the pressure occasioned by the sales of long lines of stocks in order to enable their former owners to subscribe to the war bonds. Just so surely as the entire authorized war credit is actually utilized and the proportionate sums are actually loaned to the Entente Allies, the United States will have closely approximated the position of senior creditor nation, which would in itself be the strongest guarantee of long-time business prosperity before this country shared to any appreciable extent in whatever economic reaction might follow the cessation of hostilities.

Knauth, Nachod & Kuhne.—The heavy selling in the stock market can be better explained by fears of the effect upon business of the new tax burdens and the possibility of a food shortage. Another influence has been the belief that the United States Government would purchase whatever material it required for war purposes at virtually its own prices. This would mean, of course, largely reduced profits as compared with 1916, when orders were booked in record volume at the highest prices then known. As a result of the liquidation that has taken place in stocks, prices of shares of many strong financed companies ought to appeal to investors.



Although it is proposed to double the American Income tax this year with extra taxes on large incomes, the situation is not without a brighter aspect as a comparison of our own, with the British taxation figures show. A tax of 1.2 per cent. is placed on incomes of $650 in Great Britain, while the American minimum as shown by the graphic is a tax of .6 per cent. on incomes of $3,000. This is about one-twenty-second of the tax on similar incomes in England. On large incomes the difference varies from a half to twice that of the British taxes.

The Business Situation

THE tendency toward greater firmness in money continues, in spite of gold imports amounting to $48,000,000. The commercial paper rate is now 4¼ to 5%, against 3½% no longer ago than last January. A rise of 1½% in four months is a much more rapid rate of change than has been seen at any previous time for two and a half years. The principal cause is of course to be found in our entry into the war and our consequent big bond issue, which is absorbing the country's capital.

The gold imports were the result of agreement between this country and England, and were for the purpose of preventing any further rise in money rates while the Liberty Loan was being floated. During the remainder of the war there will be close co-operation between the treasuries of the two countries. The gold is not now needed to maintain exchange rates, since our big loans to our Allies serve that purpose.

The present big financing operations have had the effect of bringing the loans and deposits of New York Clearing House banks nearer together than they have been before for nearly a year. A small excess of loans over deposits before the Liberty Loan is all taken care of, would not be surprising, but there should be a return flow of deposits afterward.

Rising commodity prices, big clearings, heavy exports and small business failures have become an old story. Prices and production of both iron and steel are still climbing, but copper shows a somewhat easier tendency, production having apparently caught up with demand. While the winter wheat condition for May showed improvement at 73.2%, the loss in acreage was so great that not more than half a crop is expected. Most of the acreage will be put into oats and corn.

Business in general shows readjustment into new channels as a result of the war, but there is little or no let-up in activity, taking the country as a whole. The prospect is for continued active trade, with the expenditure of the big Government loan stimulating all those industries which are directly or indirectly engaged in furnishing war materials and supplies. There can hardly be much increase in the total quantity of business done, since most industries are already working at capacity and many wage-earners will be withdrawn for the army.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent Cash to Deposits New York Clearing-house Banks.*	Per cent Loans to Deposits New York Clearing-house Banks.*	Bradstreet's Index of Commodity Percentages	English Index of Commodity Percentages
May, 1917........	4⅞	5	12.8	97.0	15.12	.....
April, 1917........	4½	5	13.2	93.8	14.57	5,300
March, 1917........	4½	5⅛	14.6	93.6	14.13	5,072
May, 1916........	3¼	5	14.2	95.5	11.75	4,190
" 1915........	3⅝	5	20.5	94.7	9.80	3,337
" 1914........	3⅞	3½	27.4	94.5	8.62	2,585
" 1913........	5⅝	4⅞	26.6	100.0	9.14	2,729

* Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
April, 1917......	25,015	10,363	......	......	......	11,905
March, 1917......	24,794	10,565	Imp. 121,579	Exp. 280,793	49,480	14,448
April, 1916......	19,379	7,756	Exp. 5,381	Exp. 180,332	56,271	15,745
" 1915......	15,013	6,201	Imp. 15,389	Exp. 134,169	49,863	38,734
" 1914......	14,899	6,353	Imp. 3,053	Imp. 11,209	48,934	19,127
" 1913......	14,289	6,234	Imp. 1,003	Exp. 53,619	54,746	19,425

	Wholesale Price of Pig Iron*	Production of Iron (Tons) (Thous'ds)	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†	Price of Electro. Copper. Cents.	Crop Conditions: Winter Wheat	Spring Wheat	Corn	Cotton
May, 1917....	43.00	.....	.....	32.5	73.2	...	...	...
April 1917....	37.40	3,335	12,183	32.3	63.4	...	...	...
Mar., 1917....	31.90	3,251	11,711	35.7	....	...	...	...
May, 1916....	17.90	3,228‡	9,829‡	28.6	82.4	...	...	...
" 1915....	12.40	2,116‡	4,162‡	18.5	92.9	...	...	...
" 1914....	13.75	2,270‡	4,277‡	14.0	95.9	...	...	...
" 1913....	14.94	2,752‡	6,978‡	15.4	91.9	...	...	...

*No. 2 Southern at Cincinnati. †End of mo. named. ‡April.

Position of Shipping Stocks

Vicissitudes of War and Their Bearing Upon the Shipping Industry—Mercantile Marine, United Fruit, Gt. Gulf & West Indies and Pacific Mail—Their Status and Prospects

By LAWRENCE C. SMITH

HOLDERS of the shipping stocks are wondering how they are likely to fare with regard to their investments under the potential conditions created by the country's entrance into the war. The question that seems to be uppermost in their minds is the one concerning requisition of tonnage by the Government. The recent action of Great Britain in extending Admiralty control from about 85 per cent of all registered British tonnage to a full 100 per cent control under a nationalization act, similar to that under which British railroads were taken over shortly after the beginning of the war, has filled American investors in the shipping companies with considerable apprehension lest the United States Government does likewise.

Shipping men just now do not seem to be apprehensive that the Government will undertake any such measure. So far as is known, the recently created shipping board has not had under consideration officially any measure for arrogating to the Government complete control of American shipping. What does appear, however, to be a likely future policy of the Government during the remaining period of the war is a partial requisition of shipping tonnage so distributed and on such a basis of compensation as not to work extreme hardship on any one shipping company.

New Capital in Shipping

As the Government's prospective requisition of privately operated tonnage will probably work out, however, it will be found that the bulk of the tonnage commandeered will be contributed by the four principal shipping companies and for no other reason than that these four companies possess a greater number of vessels that would measure up to the Government's probable specifications, or could readily be made to do so. Other shipping companies, of the many that have sprung up since the war began, however, will be called upon to make over their quota of tonnage under any extensive requisitionary plan. In this connection it would probably be of interest to point out that since the beginning of the war and up to the present time something like $115,000,000 of new capital has been put into new shipping enterprises, not counting those concerns which have been incorporated in this time with a capitalization of under $50,000. Not a few of these smaller companies formed in the last two years are, no doubt, of a not very stable character. They may be catalogued as the usual product of boom times in the shipping industry and are founded on prospects rather than genuine value. They may be expected to disappear, either by voluntary dissolution or by absorption into other, better-fortified companies when the harder grind of normal competitive times is again upon the shipping industry.

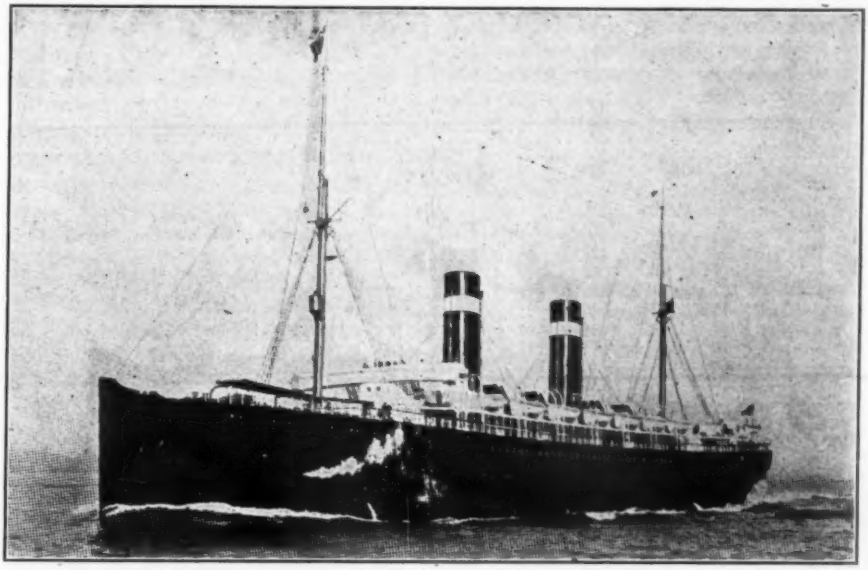
When the time arrives for the United States to requisition ship tonnage, it will

probably be found, shipping men say, that the Government will be able to obtain more ships and obtain them faster than it will be able to employ them. Not only that, but that most, if not all of the tonnage the Government might require could be furnished by the three or four representative steamship fleets of the country, namely, International Mercantile Marine, through its American subsidiaries, the American Line and the Atlantic Transport Line, the Atlantic, Gulf & West Indies, the Pacific Mail and the United Fruit companies.

Good Requisition

Requisitionary action by the Government should not be regarded by investors as a calamity. Of course, the earnings of vessels temporarily taken over by the Government would be less than under the earnings accruing out of the quotations in the open market, but charter rates paid by the Government would likely be double or possibly even a little better than normal rates, whilst full compensation would be made to owners for loss on account of destruction. Leastways, it is said that the disposition of the Government is to treat vessel owners who make over their vessels liberally.

For the present, however, holders of shipping stocks might do well not to allow the prospects of Government requisition of tonnage to figure too largely in their calculations of possible returns on their investments this year. Shipping authorities maintain that the Government does not need vessels just now. That the tonnage actually in service is still sufficient and that the problem is to make that tonnage count for more by using greater intelligence in directing it. A case in point is cited. Recently two steamships of about the same burden arrived at an Atlantic port from European ports. One of these steamers, which had carried grain cargo on the last outward bound voyage, was ordered to take over horses on her next trip. The other steamer had been in the horse-carrying trade and was properly fitted up for that business. On its next run, this second steamer was slated to carry goods of an entirely different nature, including grain. Instead of switching these two steamers about without loss of time or expenditure of money, the bulk cargo carrying steamer, after ten days of



Steamship "St. Louis" of the American Line

delay, was fitted up with stalls for horses at a considerable outlay of money, whilst the steamer fitted for horse traffic had its stalls ripped out and the hold refitted to take bulk cargo. The exercise of a little intelligence on the part of officials would have saved much money expended for materials and labor, not to mention the saving in valuable time.

As there is absolutely no basis on which to measure the extent of the Government's requirements in the way of ships or on what basis ships will be chartered from vessel owners when the time comes, any present calculation of the probable earnings of the shipping companies this year will have to ignore entirely the factor of prospective Government requisition.

On a basis of tonnage owned and from the point of view of serviceability or adaptability of steamers, the aforementioned four steamship companies might conceivably contribute 50 per cent or more of any of the tonnage required by the Government. The present position of these shipping companies with regard to earnings and outlook for the present year is briefly set forth in the following paragraphs.

PRICE RANGE OF STOCKS OF FOUR PRINCIPAL SHIPPING COMPANIES, BEFORE THE WAR, AND NOW

	May 19	1917		1916		1915		1914		1913	
Company	Price	High	Low	High	Low	High	Low	High	Low	High	Low
Atl. Gulf	98¾	121½	89	147¾	56	36	4	9	5	12½	5
" " Pfd..	60	66	54	73¾	61	49	9⅞	16¾	13½	19½	10
I. M. M. Co....	26¾	36⅞	19¾	50⅞	13⅜	20⅝	18	3¾	⅝	4⅝	2⅞
" " " Pfd...	78½	95½	62⅝	125⅝	61¼	77⅜	55¾	15¼	3	19½	12½
Pacific Mail.....	21	26⅛	18	31	11¾	38	8¼	29	17¼	31½	16
United Fruit ...	134	154⅜	131¼	169½	136⅛	163	110	173	113	182	147

International Mercantile Marine

First and foremost of these shipping companies, on account of the large public interest in it, is the International Mercantile Marine Company. About 100,000 tons of the 1,000,000 or more of tons of shipping actually in service by this company is under American registry and is operated by the American Line and the Atlantic Transport Line. The recent action of the British Government in placing all British shipping under an act of nationalization, giving the Admiralty full say over every ton of cargo space, has proved a disturbing factor in the earning capacity of this large combine of ships under Mercantile Marine house flags. The American Line and Atlantic Transport Line steamers are not subject to this act and these are now getting the full benefit of the high ocean rates that obtain.

Figures of the earnings of the Mercantile Marine or of any of the subsidiary lines have not been made known by the management in recent months. An estimate in some shipping quarters, where the size of the business of the company is fairly well known, places current earnings at about $2,500,000 a month net. On this basis the company should earn this year something like $30,000,000 net, barring, of course, the further loss of tonnage through submarine attacks. Such earnings seem to assure not only the earning of the 6 per cent dividend requirement on the roughly $51,726,000 of preferred stock but leave a substantial surplus for the common stock, of which there is $49,872,400 outstanding.

Deferred dividends on the preferred stock amount to about 88 per cent. Only one dividend of 13 per cent has been declared on this issue since the organization of the company back in 1901. That dividend was declared on March 15, but no period was indicated by the directors, but it is assumed in some quarters that a similar dividend will be declared within six months, thus placing the stock on a 6 per cent basis. In other quarters it is believed that the $40,000,000 or more of cash which the company has invested in British treasury notes will be released presently and that money used to pay off in part, at least,

some of the heavy accumulation of dividends on the preferred stock.

Considering, however, that the company is about to negotiate for additional tonnage and that of this new tonnage, in the shape of four large and fast vessels, is to be for the American Line, it is to be doubted whether any considerable sum of money will be released by the British just now or during the period of the war for the payment of deferred dividends. The above estimated $30,000,000 net for the current year would spell about $38 a share for the preferred stock, after deducting about one-third of the amount for special war taxes. In 1916 the company earned about $40,000,000 over and above special taxes, or an equivalent of about $76 a share on the preferred.

United Fruit Company

This company, which owns and operates a large fleet of merchant and passenger ships and piled up profits in 1916 that were equivalent to nearly 28 per cent on the $48,792,400 of capital stock, is earning this year at a rate greatly in excess of the 1916 figure. For the seven months ending with April, last, it earned a balance for the stock equivalent to 14½ per cent, after deducting the full amount of fixed charges for the entire year amounting to some $990,000. The net profits roughly were nearly 110 per cent larger for the seven months' period in 1917 than in the same period in 1916.

In addition to its large fruit earnings, United Fruit derives a very considerable revenue from its sugar business. In 1916 the company derived $8,584,952 from fruit and $4,758,034 from its sugar business, making total income of $13,342,986. Demand for the company's tropical fruits continues on a huge scale. The ability of the American market to absorb fruit seems to be almost limitless and the company is straining every effort to make the supply as large as possible. Just now, due to the loss of some of its British register vessels to the Admiralty and because of a fruit shortage at some of the tropical points touched by the company, the latter's supply of fruit is running about 15 per cent behind what is regarded as normal. The company has under way for its account in this country some new boats and these will greatly help the company when they arrive.

Dividends are being paid on the capital stock at the rate of 8 per cent per annum, a rate which has been maintained since 1908 with numerous extra dividends in cash and stock.

Atlantic, Gulf & West Indies Steamship Lines

In the first two months of the current operating year this company's earnings ran at a rate which spelled $10 a share for the $14,963,000 of common stock. Net earnings in the first two months made a gain of $723,797, or something better than a 90 per cent increase. This is, of course, a most excellent start and forms a fine back log in the event, entirely unforeseen, that earnings fall off later in the year.

Recently there have been many rumors afloat to the effect that a considerable part of the company's tonnage will be switched into the trans-Atlantic service. How much foundation there is to these rumors is not revealed, but it must be construed as a favorable omen that the company is in a position to transfer a large part of its tonnage into a service that would probably mean additional net of as much as $1,000,000.

Net earnings of the consolidated companies of the Atlantic, Gulf for the year ended December 31, 1916, were $8,210,100, an increase of $5,162,114 over 1915. This was an equivalent of 49.7 per cent on the common stock after allowing for the full 5 per cent dividend on the $14,979,900 of preferred stock. These figures are exclusive of the earnings of the Mexican Navigation Company, the Southern Steamship Company and the International Steamship Company, the accounts of which are separately kept. Actual earnings for the year were equivalent to about $65 a share on the preferred stock, or about $60 a share on the common. Dividends on the common stock were inaugurated last November by the declaration of a 5 per cent dividend applicable on the year ended December 31, 1916.

The combined fleets of the lines in this coastwise shipping aggregation number

86 ships, with a tonnage of 296,254, exclusive of tugs and lighters. With the tonnage now under construction, the company will have a fleet of 92 vessels with an aggregate tonnage of 320,00.

Pacific Mail Steamship

Until an expected report for the six months ending June 30, next, is made, the progress the Pacific Mail Steamship Company is making compared with last year will not be known. Officials are reticent regarding the affairs of this company, except to say that the company is making good progress. But even with the prospective six-months' report in hand, there will hardly be a fair basis of comparison with what the company accomplished last year, because its operations are on a different and broader basis.

Recommendations for a substantial expansion of the company's service have been made and to what extent these recommendations have been taken up by the board of directors and acted upon will probably be indicated in the six months' report which officials are now considering making. The present company operates about 38,000 tons of ships divided into nine steamers, the average tonnage of which is about 4,000. The trans-Pacific service of the company, which was disrupted during the period that partial liquidation was underway, was re-established in June, 1916.

In the eight months ended December 31, last, the company earned net income of $528,889, equivalent to 31.11 per cent on the $1,700,000 of preferred stock on which the interest rate is 7 per cent cumulative. The surplus remaining for the common was equal to 40.81 per cent on the $1,150,000 of stock outstanding, the par value of which is $5 a share. Par value of the preferred is $100 a share.

Conclusion

The two adverse factors, one potential and the other active, in the situation affecting shipping today are the possible requisition of a large amount of tonnage by the United States Government and the submarine-boat warfare being waged by Germany. Of the four companies specifically treated of in this article, International Mercantile Marine is the one company which is dangerously exposed to the attack of submarines, although the recent extension of naval protection and the mounting of defense guns on each of the vessels in this merchant fleet has minimized that danger somewhat. The United Fruit and the Atlantic, Gulf & West Indies aggregation of steamers, pursuing, as they do, the trade routes to tropical points and to our own coastwise ports have not run counter to underwater attack and are not considered as likely to. The Pacific Mail fleet is also regarded as practically immune in the pursuit of its established trading routes.

The other factor, that of possible requisition of tonnage by the government, is an indefinite one and holders of shipping company stocks might well ignore it until something definite has been pronounced on it by the Government. At the worst, a fairly remunerative rate, probably twice that of normal times, will be paid for whatever tonnage is taken, while complete indemnity for loss would go forth to erstwhile owners.

Apart from these two factors, bearing in mind always that ships are now fully insured against destruction by submarines, the outlook for the shipping companies may be regarded as bright. There is no indication of a sag in ocean rates and the best opinion among ocean traffic men is that rates will continue at a high level under pressure of demand for cargo space when the flood of materials and supplies to rehabilitate stricken Europe at the conclusion of the war gets underway. But for all this bright prospect of the next few years, the shipping stocks must be regarded primarily as speculations of greater and lesser degree. War has created their present prosperity and the vicissitudes of that war can go far to unmake it by destroying vital earning capacity.

The Crisis in the Rails

Have the Rails Reached the Bottom of Their Decline? Pros and Cons to Be Considered by Those Who Contemplate Purchasing Now

By WALTER McNAUGHTON

THERE is probably not another group of security holders to-day that is manifesting greater genuine concern over the present status of their respective investments and the outlook for them than the owners of railroad stocks. There has not been anything mysterious about the movement of prices for these stocks since the fall of 1916. The factors back of the steady decline were never better known or more widely appreciated in any concerted movement, one way or the other, of any group of stocks than in the railroads. This fact gave rise to a condition which militated again any disposition to become even mildly panic-stricken, but the added fact that nothing appeared to stem the downward slide made it all the more discouraging. Not even the proposal to allow the roads an increase of 15 per cent. in freight rates on all commodities save coal, coke and ores, made any material difference.

Today, the stocks of the railroad companies throughout the United States, not excepting the first-class investment issues, are selling at levels where the income yields approximate the highest returns recorded. And this, in the face of the largest gross revenues the railroads have enjoyed. The conditions which are so heavily offsetting the benefits that the railroads should be deriving currently from the big business they are doing are known not only to the investor at large but to the vast reading public. These conditions, therefore, require no more than passing reference here.

Control of Expenditures

First and foremost is the greatly increased cost of everything that enters into the operation and maintenance of railroad property. Labor has extorted its full share to date. Augmenting labor's demand have been the 75 per cent. to 400 per cent. larger bills for everything that is supplied to the railroads from cotton waste and oil to rails and ties. Over these advances the railroads have had absolutely no control. In fact, they have had little control over any item that properly belongs in expenditure accounts. Julius Krutschnitt, chairman of the executive committee of the Southern Pacific Company, explained the situation with regard to expenses tersely in his recent testimony before the joint Congressional Committee on Interstate Commerce when he said, in part:

> "The railroads have very little control over their expenses at the present time. Headlight bills, superfluous crew bills, laws prescribing hours of labor for employees, orders of state commissions to construct needless and ornamental stations for political and monumental purposes, deafness of commissions to pleas that the managements be allowed to use their own judgment in alloting capital for such vital objects as ballasting and heavier rails, the substitution of the judgment of commissions for that of the owners in questions of management, the proneness of legislators to grand unreasonable demands of organized labor and unwillingness tc do anything for the protection of the interests of the stockholders; these are some of the reasons why the control of expenses and to a considerable extent the management of the railroads have been taken out of the hands of their owners."

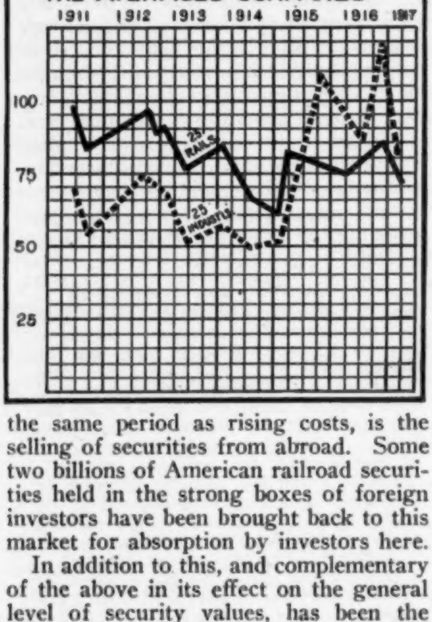
Converging Lines of Earnings and Expenses

The trend of operating expenses in contrast with that of gross earnings of the railroads reporting to the Interstate Commerce Commission is shown in an accompanying graphic. This graphic is based on the figures for the fiscal years from 1907 to 1916. Since the close of the last year, however, expenses have risen out of all proportion to the ratio maintained in the full years depicted, so that when the 1917 operating year results are compiled and added to the graphic the line of operating expenses

will be seen to show a decided climb upward to a point nearer the line of gross revenues than has ever been recorded before. To a point in fact that would serve to illustrate graphically what Mr. Krutschnitt had in mind when he told the Congressional Committee that "the railroad transportation system of the country is breaking down."

The second largest factor in the depression of railroad security values and one which has been operative for about

THE AVERAGES COMPARED



the same period as rising costs, is the selling of securities from abroad. Some two billions of American railroad securities held in the strong boxes of foreign investors have been brought back to this market for absorption by investors here.

In addition to this, and complementary of the above in its effect on the general level of security values, has been the placing in the American market of a round two billion dollars of foreign war loans paying 6 per cent., 7 per cent. and 8 per cent. in contrast with railroad issues returning lower rates. Still another and by no means negligible factor is the increasing tendency of taxes on railroad property.

The Income Tax Factor

A new element of adversity in the situation, the effect of which has been undoubted but which does not submit readily to even approximate measurement is the proposed income tax law. Under the measure as proposed, a tax of from 35 per cent. to 50 per cent. may be imposed on personal incomes ranging from $250,000 to $2,000,000 or more. As N. L. Amster, of the Chicago, Rock Island & Pacific pointed out in a recent discussion of this proposed income tax measure, many of the incomes are derived from the holdings of large blocks of railroad securities. "Assuming that an individual or estate," he said, "owns $20,000,000 of railroad bonds or shares yielding an average of 6 per cent., the annual income would be about $1,200,000. The income tax may possibly take $600,000 of this, making the net return only 3 per cent. If they changed these railroad securities into 3½ per cent. Government bonds, they not only would get one-half of 1 per cent. more income, but a security of far greater stability."

There has naturally been quite a little speculative discussion as to what a 15 per cent. increase in rates would mean to the railroads. And, incidentally, there seems to be little doubt that such an increase will be granted. Apparently, the whole country is unanimous in the opinion that the railroads are entitled to the advance. It would be difficult, if not quite impossible, to estimate at this time just how large a part a 15 per cent. increase in rates, beginning on June 1, next, on all interstate and intra-state traffic, excepting coal, coke and ores, would play in the revenue accounts of the railroads. Such an advance would be operative for the seven months remaining of the operating year on the new basis.

An indication, however, is furnished as to how much better the railroads would have fared in 1916 if the proposed advance had been operative last year. Taking the fourteen representative railroads that are mentioned in Table No. 1, it will be found that they earned an aggregate gross of $1,441,507,000 in 1916. Assuming arbitrarily that 20 per cent. of these revenues were derived from the transportation of coal, coke and ores, and deducting such an amount, there would be left $1,153,205,600 eligible for the 15 per cent. rate advance. Such an advance would have meant $172,980,840 greater revenues, and, added to the actual total of revenues in that year,

would have resulted in an aggregate gross of $1,614,487,840, or, roughly, $173,000,000 more than was actually earned by these fourteen carriers.

Prospective 1917 Net Earnings

If the current rate of earnings is maintained by these carriers throughout 1917 (that is, to December 31), gross earnings would be about 8 per cent. larger

TABLE I

COMPARISON OF PRESENT PRICES WITH THOSE OF 1916, 1914 AND 1907

Company	*Present	High 1916	High 1914	High 1907
Atchison	99½	108⅞	100⅜	108¼
Baltimore & Ohio	69	96	98½	122
Ches. & Ohio.....	56	71	68	56
C., M. & St. Paul.	71⅞	102½	107⅛	157½
Chi. & N. West...	109	134⅞	136⅞	205.
Erie	23¼	43⅝	32½	44¼
New Haven	37⅞	77⅞	78	189
Northern Pacific..	99½	118⅞	118½	189½
Nor. & Western..	119½	147⅛	105⅞	92¼
Pennsylvania	51⅞	60	57¾	70⅝
Reading	86⅜	115½	86⅛	69 5/16
South. Pacific.....	90⅞	104⅛	99½	96¼
Southern	24⅛	36¾	28¼	34
Union Pacific	132¾	153⅜	164⅜	183

*May 12.

than last fiscal year and amount to about $1,556,827,000. Eighty per cent. of this total, assuming that that represents all traffic entitled to the 15 per cent. increase, would be $1,245,460,000. So that, if the rate increase is granted as of June 1, next, the 15 per cent. advance would be applicable (without regard to seasonal variations in traffic) to seven-twelfths of the latter figure and would amount to about $108,978,000, which, added to the gross in prospect this year, minus the rate advance, would make a total of $1,665,805,000.

This calculation is shown in Table No. 2 herewith. Estimating 1917 operating expenses at an advance of 13 per cent. over 1916 expenses, and this would appear a conservative average figure for the fourteen rails used, it will be seen that net earnings in prospect for 1917 would be about $71,000,000 less than they were in 1916, notwithstanding that gross earnings are estimated on a basis 8 per cent. greater than in 1916.

In other words, against a prospective increase in operating expenses in the current year to December 31, 1917, of, roughly, $122,000,000, these fourteen railroads would derive additional revenue of about $109,000,000 from the 15 per cent. rate advance, or only enough to offset the increase in expenses about 89 per cent. This compares with estimates ranging from 85 per cent. to 94 per cent. made by various statisticians, who employed varying numbers of railroad properties on which to base their calculations.

Present Situation Summed Up

A few days ago, the twenty-five railroads used in the table of averages as per the graphic, sold down to 67.86. From this low level these rails have effected a recovery but that recovery

TABLE II

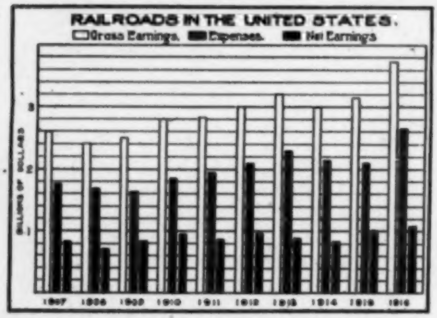
ESTIMATED EFFECT OF 15% RATE ADVANCE—1916 AND 1917—ON FOURTEEN RAILS USED IN TABLE OF STOCK PRICE COMPARISONS.

Gross Earnings in 1916 (actual)..	$1,441,507,000
Proportion (80%) Subject to 15% advance	1,153,205,000
Amount of 15% Increase.........	172,980,000
Gross in 1916 plus 15% Advance.	$1,614,487,000
Actual Expenses in 1916.........	939,445,000
Net Earnings in 1916 (+15% incr. in gross)	$675,042,000
Estimated Gross Earnings, 1917...	$1,556,827,000
Proportion (80%) Subject to 15% Advance	1,245,460,000
Seven Months' Proportion (June to Dec.)	726,518,000
Amount of 15% Advance.........	108,977,000
Total Est. Gross in 1917 with 15% Advance Allowed	$1,665,805,000
Estimated Expenses (at 13% Advance over 1916)	1,061,573,000
Estimated Net for 1917...........	$604,232,000
Decrease compared with 1916 Net	$70,810,000

was small and the symptoms of the rebound did not disclose much of virility and contained nothing of hope for holders of these stocks that that low level

would not again be reached or even possibly exceeded presently under renewal of pressure.

Broadly considered, however, the rail stocks may be regarded as near the bottom of their declines. Comparing current prices with those of 1916 and those of that year of perplexities and uncertainties, 1914, it is indeed difficult to see, having regard to current earnings, how the rails can sell much lower. If, by any chance, the 15 per cent. tentative rate advance is not allowed, it is conceivable, of course, that there would be a further shrinkage in market values, but even such an adverse development as the non-granting of the increase should be limited in its effect, if the small stimulus imparted to the rails by the announcement that a 15 per cent. increase had been tentatively granted, is taken as criterion. The statement made in Congress that if the 15 per cent. advance is allowed, a part of the revenues accruing under it would be taxed, must also be considered in the list of adverse factors.



The big redeeming feature with regard to the railroad situation is the absence of anything approaching hysteria. Each added downward thrust has not seriously disturbed the ability to calmly think of the majority of investors, and this is a good sign.

How much longer the representative rail issues will continue available at the present selling levels is hardly for anyone to say. There are too many unmeasurable factors interwoven with the affairs solely affecting the railroads and not the least of these is how much more liquidation there is going to be to enable patriotic investors to participate in the Liberty Loan. The assumption of many that such liquidation has been fully accomplished within the past two or three weeks, is open to question, but there is, no doubt, apparently, that the bulk of it has been effected.

The granting of the rate increase, the determination of the amount of the tax to be imposed upon railroad transportation, estimated now at above $200,000,000, and the materialization of evidence that the greatest part of liquidation to furnish funds for investment in the government war loan is accomplished, ought to pave the way for an advance of the rails based on the best kind of buying.

WHAT IT WILL COST TO FEED AN ARMY OF 2,000,000 MEN

The different foods which make up the army ration cost the Government, at present prices, about 35 cents per ration. A ration is the allowance for subsistence for one person for one day. For an army of 2,000,000 men the disbursements for food by the Commissary Department of the United States Army would total about $700,000 a day.

The standard ration for subsistence of United States troops, according to existing army regulations, is shown below:

Beef, fresh	ounces	2.00	Vinegar	gill	.16
Flour	ounces	18.00	Salt	ounces	.64
Baking powder	ounces	.08	Pepper	ounces	.04
Beans	ounces	2.40	Cinnamon	ounces	.014
Potatoes	ounces	20.00	Lard	ounces	.64
Prunes	ounces	1.28	Butter	ounces	.50
Coffee	ounces	1.12	Sirup	gill	.32
Sugar	ounces	3.20	Flavoring Extract	gill	.014
Milk, evaporated	ounces	.50			

While these foods are considered as standard, allowance is made for the substitution of equivalents. Soldiers serving in tropical countries, such as the Philippines, are given a lesser and troops serving in extremely cold countries, such as Alaska, a greater quantity of meat. —*The Annalist.*

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor*.

RAILROADS

Atchison, Topeka & Santa Fe.—The California R. R. Comm. has approved the sale to this company of a half interest in the Oil City branch of the Southern Pacific Co. The commission approved an agreement between the railroads for the operation and maintenance of the branch. The Oil City branch is in Kern county, is ten miles in length and serves the oil producing territory in the Kern River district. The Santa Fe wants to reach the oil fields served by the branch.

Atlanta & Charlotte Air Line.—The Central Trust Co., of New York, announced that engraved first mortgage 5% Series "B" gold bonds were ready for delivery at their office.

Boston & Maine.—Gov. McCall signed the bill extending the time within which the reorganization of this company may be consummated from July 1, 1917, to July 1, 1919. Company made a rather discouraging showing in March, although results were comparatively better than in February from the standpoint of gross and net income. In comparison with 1916, however, the returns show up poorly. Against a surplus of $53,587 after charges in March, 1916, Boston & Maine in 1917 showed a deficit of $392,134, reflecting the large increase in operating expenses and taxes. This was in the face of a $437,205, or 10% increase in gross earnings. Operating expenses in March rose to $4,010,067, compared with $3,208,273 in 1916, an increase of $801,794, or nearly 25%. It is significant to note that the ratio of operating expenses to gross increased to 84.7%, compared with 74.6% in March, 1916.

Central of New Jersey.—Earnings in March show gross, $3,007,793; net, $1,024,855; surplus after charges and taxes, $440,145.

Chicago, Milwaukee & St. Paul.—March gross shows $8,757,232, against $8,840,529 in 1916, and a net after taxes of $2,115,399, against $2,858,833 last year.

Chicago, Rock Island & Pacific.—Gross for the four weeks ended April 30 was approximately $6,625,000, an increase of $620,700, or 10.3%, compared with the corresponding period of 1916. For the four months of the year to April 30 gross earnings are estimated at $27,191,000, an increase of $2,895,700, or nearly 12%, compared with the corresponding period last year. A special meeting of stockholders has been called for June 21 to vote on increasing the capital stock from $75,000,000 to $140,000,000.

Delaware & Hudson.—Earnings, March, 1917, of this company, including the returns of the coal department of the company, and of the Hudson Coal Co., and income from investments, shows a net income of $511,991, after fixed charges, compared with $49,876 in March a year previously, an increase of $462,115.

Erie.—For the first quarter of the new fiscal year Erie's gross earnings were $16,724,651, while the operating income, after deduction of taxes, was only $558,920, as compared with $3,578,478 in the corresponding period of 1916.

Illinois Central.—Report, year ended Dec. 31, 1916, shows income account as: Gross operating revenues, $73,740,266; net after taxes, $16,759,239; surplus after charges, $15,868,282; balance after sinking and other funds, additions and betterments, $15,707,493. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $16,250,928, compared with $10,730,733 Dec. 31, 1915. The 1916 net income of $15,868,282 is equivalent to $14.52 a share earned on 1,092,818 shares of capital stock, compared with $7.36 a share earned in the 1915 calendar year.

Lehigh & New England.—Report, year ended Dec. 31, 1916, shows: Gross operating revenue, $3,046,332; total net, $1,177,964; surplus after charges, $698,035. Shipments of anthracite totaled 3,623,274 tons, compared with 3,695,954, a decrease of 72,680. This decrease was due to operating conditions in latter months of the year, first six months' shipments being 235,737 tons ahead. The surplus of $698,035 is equal to 11.6% on $6,000,000 common stock, compared with 15.8% in 1915.

Lehigh Valley R. R.—Earnings in April showed a turn for the better, following the unfavorable exhibit in February. Whereas, February total operating went behind the same month in 1916, $175,094, in March the business went ahead $432,923, an increase of over 11%. The result is a small gain for the first quarter of 1917, as compared with the same period in 1916. This is in line with the anthracite tonnage over the Lehigh Valley, which also shows a small gain, the shipments having been for the three months 3,130,405 tons in 1917 and 3,017,342 in 1916.

Maine Central.—Report, year ended Dec. 31, 1916, shows: Total operating revenue, $12,824,676; net operating revenue, $4,022,837; surplus after charges, $1,636,365; sinking and other funds, $39,613; dividends,

$872,382; physical property invested, $198,627; surplus, $525,743.

Minn., St. Paul & Sault Ste. Marie.—Surplus after charges of $5,258,595 is equivalent to 13.90% earned in the 1916 calendar year on $37,810,200 preferred and common stock, as compared with 16.32% earned in the fiscal year ended June 30, 1916.

Missouri, Kansas & Texas.—The gross revenue of the Missouri, Kansas & Texas Ry. for the first four months of the current year, amounting to $12,571,477, compares with the following figures for the same period: $10,353,198 in 1916, $11,029,844 in 1915 and $9,881,721 in 1914, showing an average increase for this four months' period amounting to about $900,000, or about 9%. In view of this four months' increase of $900,000, there is some question of how Receiver Schaff now estimates that the gross revenue can increase at the rate of only $750,000 for the 12 months' period from now until 1920, especially as the average yearly increase in gross revenue for the 10 years from 1905 to 1915 amounted to $1,300,000.

Missouri Pacific.—In 1916 the operating ratio was 75%, and as this included about 8% of deferred maintenance, the company can probably operate at about 68% or 70% normally, on the basis of the wage, fuel and supply costs then prevailing. Based on a 70% ratio, and with the charges based on the new capitalization, an estimate of results for the year ended June 30, 1917, would show as follows: Gross, $73,500,000; net after operating expenses and taxes, $18,300,000; other income, $1,400,000; total income, $19,700,000; surplus over all charges, rentals, etc., $7,173,000. This is equivalent to 9.4% on the new preferred stock and 4.4% on the new common stock.

N. Y., Chicago & St. Louis.—Granted permission by the Chicago Utilities Comm. to sell $3,800,000 5% equipment trust certificates at 90, with which to purchase additional equipment.

N. Y. Central.—For the three months ended March 31, 1917, the balance for dividends, after allowing for the deficit of the B. & A. under the lease, was $1,051,370, equivalent to 0.42% on approximately $250,000,000 stock outstanding. The quarter's dividend requirement at 1%, or the regular annual rate of 5%, was $3,125,000. In the same three months of 1916 the balance for dividends was $7,954,237, or 3.18% on the stock.

N. Y., N. H. & Hartford.—It is admitted in New Haven circles that the Rhode Island Co., its subsidiary operating the trolley system of that State, is for sale and that sale to the Shore Line Electric Ry. Co., whose chief stockholder is Morton F. Plant, of New London, is quite probable. Negotiations are said to be in progress. The New Haven owns all the stock of the Rhode Island Co., but on Nov. 1, 1914, these holdings were transferred to five Federal trustees under decree of the Federal Court. These trustees are to exercise their best efforts to sell the securities before July 1, 1919.

Pittsburgh, Cincinnati, Chicago & St. Louis R. R.—During 1916 the total operating revenues were $50,706,454, an increase of $9,260,764. The revenue from the freight traffic increased $6,849,762, due to the larger volume of traffic transported. The operating expenses aggregated $36,344,752, an increase of $6,077,119, the expenditures upon the track and roadbed, for repairs to equipment and for transportation having necessarily been much larger in order to handle the increased business, and also on account of the rapidly increasing costs of material and labor, and the increased number of employes. The tax accruals were $2,321,763, an increase of $394,605. Attention is directed to the largely increased amounts that are continually being paid out as taxes.

Southern Pacific.—Alarmed over reports that the U. S. Government contemplated taking over the Southern Pacific steamships of the Morgan Line, operating between New York, Galveston and New Orleans, and removing them from service between these ports, the San Francisco Chamber of Commerce, through President F. J. Koster, has telegraphed a protest to the Federal Shipping Board. The telegram declared that the interruption of this trans-Atlantic rail and water service would be a public calamity. Attention of the Federal authorities was called to the fact that these vessels, operating in what is known as the Sunset Gulf route, form an integral part of the Southern Pacific transcontinental system; that 600,000 tons of Pacific Coast freight, mostly food products, are handled over this route; that rates are generally lower than by any other route, and that the coast is already handicapped by congestion on eastern lines, car shortage and the discontinuance of Panama Canal lines between the two seaboards.

Union Pacific.—Balance sheet as of Dec. 31, 1916, shows a profit and loss surplus of $138,739,917, compared with $130,613,512 Dec. 31, 1915. The balance after preferred dividends of $39,201,669 is equivalent to $17.63 a share earned on 2,222,931 shares of common, compared with $12.41 a share earned in the 1915 calendar year. Declared the regular quarterly dividend of 2% and an extra of one-half of 1%, payable July 2 to stock of record June 1.

Virginian Ry.—The 1916 surplus after charges of $2,479,306 is equivalent to $8.86 a share earned on 279,550 shares of preferred stock, against $3.88 a share earned in 1915. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $7,734,556, compared with $5,510,743 Dec. 31, 1915.

Western Pacific.—Reports March gross as $763,227, against $600,304 in 1916 and net after taxes of $253,285, against $190,154 last year.

Industrial Digest

Acme Tea.—Sales for the four weeks ended May 5 were $2,113,395, compared with $1,294,021 for the four weeks ended May 6, 1916, an increase of $819,374, or 63.5%. For the period from Jan. 1 to May 5, 1917, total sales were $8,514,271, compared with $5,764,725 for the same period of 1916, a gain of $2,750,546, or 47.7%.

American Beet Sugar.—The I. C. C. denied the application of this company for a modification of its order declaring that the rate of 85 cents per hundred on sugar from California to Texas common points was reasonable.

American Ice.—Earnings statement, four months ended Feb. 28, 1917, as filed with the N. Y. Stock Exchange, shows gross of $591,928, net income of $55,520 and deficit after charges and dividends of $67,466. Has listed $14,920,200 6% non-cumulative preferred stock and $7,161,400 common stock, with authority to add $79,800 preferred and $338,600 common stock, making the total $15,000,000 preferred and $7,500,000 common stock.

American Locomotive.—Has taken a contract for 50 100-ton Mikado type engines for the Paris-Orleans Ry., and has also received an order for 35 210-ton Santa Fe locomotives from the Pennsylvania lines west of Pittsburgh.

American Tobacco.—Sales in April were $6,900,000. This tied the previous record month since the dissolution of the trust, August, 1916. The April sales represented an increase of $1,800,000 over April, 1916, and brought the gain for the first four months of the current fiscal year up to $5,000,000.

Baldwin Locomotive.—Has received large contracts for locomotives within a few days. The company received contracts for 65 locomotives for the Chicago, Burlington & Quincy R. R., of which 10 are of the Pacific type of passenger locomotive and the remainder of the freight type. A contract has also been received for 100 locomotives for the Great Northern Ry., of which 85 are freight and 15 are switchers.

Bethlehem Steel.—Representatives of the company and the Midvale Steel & Ordnance Co. have been given contracts for 10,000,000 pounds of steel forgings at approximately 34 cents per pound, each one-half. It is said that Midvale's bid for forgings, as submitted, was nearly 150% higher than that submitted by Bethlehem, and that Secretary Daniels demanded that it come down to the price named by Bethlehem.

Burns Bros.—Has listed additional $1,375,000 common, with authority to add, after May 31, $68,800, and prior to Jan. 1, 1918, $2,125,000, making the total amount authorized to be listed $9,068,800.

Driggs-Seabury Ordnance.—Resumed the payment of dividends on its common stock after a lapse of a year, by the declaration of 1½% on the issue. Regular quarterly dividends of 1¾% on the first preferred and 1½% on the second preferred were declared, all payable June 15 to stock of record May 31. A merger of the Driggs-Seabury Ordnance Co. and Savage Arms Co., of which Driggs owns complete control, was decided on at the meeting of directors. By the merger the company will achieve savings in taxes and other items. The merged company will be known as the Savage Arms Corp.

Emerson Phonograph.—There has just been invented, and will soon be placed on the market, a device which will enable any one to make a wax disc record at home. Victor H. Emerson, a well-known expert in the phonograph field, inventor of many important improvements and devices and president of the Emerson Phonograph Co., succeeded in turning out this practical fad.

General Electric.—Company in Schenectady, N. Y., has let a general contract for a foundry building, 125x525 feet, one and two stories, to cost $400,000.

Gulf States Steel.—Declared an extra dividend of 1% for the first half of the current year, in addition to the regular quarterly dividend of 2% on the common stock, payable July 2 to stock or record June 12.

International Paper.—Directors have voted to declare the preferred dividend adjustment plan operative. On and after June 1, 1917, upon surrender of certificates of deposit to the Bankers' Trust Co., depositary, preferred stockholders will receive their deposited stock, together with the cash and securities, provided by the plan, in full settlement of the deferred dividends. Under the plan preferred stockholders will receive 14% in preferred, 12% in common and 7½% cash in settlement of 33½% back dividends.

Jewel Tea.—Sales for the four weeks ended April 21 were $1,182,977, compared with $867,120 for the same period of 1916, an increase of $315,856, or 36.42%. Sales for the 16 weeks ended April 21 were $4,769,166, compared with $3,366,153 for the same period of 1916, an increase of $1,403,013, or 41.68%.

Kresge (S. S.).—Reported sales for April as $2,360,758, compared with $2,222,910 for April, 1916, a gain of $137,848, or 6.20%. Sales for the four months were $8,475,286, compared with $7,220,457, a gain of $1,254,829, or 17.4%. The Equitable Trust Co., transfer agents for the company, is issuing the new certificates for shares of the par value of $100 in exchange for the old certificates for shares of the par value of $10.

Lackawanna Steel.—Earnings, net for stock, in April, were between $2,000,000 and $2,200,000. This was the best month ever experienced by the company, with the exception of March, when net profits were $2,300,000. With March earnings at the rate of 79% and April at 70% it does not seem improbable that the company will show net profits for the current year of well over $60 and possibly as high as $70 per share.

Midvale Steel & Ordnance.—In the first quarter of 1917 earned net profits after charges at the rate of $53,600,000 per annum. This is equal to 53.6%, or $26.80 per share on the $100,000,000 capital stock. It compares with actual profits for the year to Dec. 31, 1916, of $35,775,001, equal to 25.7%, or $17.88 per share.

Superior Steel.—The New York Stock Exchange has listed $3,500,000 temporary interchangeable certificates for 8% convertible first preferred stock and $6,000,000 temporary interchangeable certificates for common stock, with authority to substitute permanent engraved certificates.

United Cigar Stores.—Sales in April increased $500,000 over the corresponding month in 1916. This brings the increase for the first four months of the current fiscal year up to slightly over $2,100,000. The increase in sales by months in 1917 has been as follows: January, $600,000; February, $400,000; March, $650,000; April, $500,000. Sales for the full year 1916 were $36,000,000, as compared with $31,000,000 in 1915.

United Fruit.—Net profits in April were better than $2,000,000. Up to April 29 the company had earned net for interest and dividends since the fiscal year began Oct. 1 a total of a few thousand dollars more than $8,000,000.

U. S. Industrial Alcohol.—A meeting of directors will be held during June, and it is expected that a stock dividend of 100% will be agreed upon. It is the intention of the board to place the new stock on an annual basis of $6 a share.

THE FINANCIAL DISTRICT WELCOMES THE FRENCH COMMISSION

Not since the time of Admiral Dewey's return has Wall Street exhibited such wild enthusiasm as marked the appearance of Marshal Joffre and his fellow commissioners when they landed in Manhattan. The above picture taken close to the heart of the financial district shows the automobile containing M. Viviani and the Marshal (partly concealed by the Secret Service man standing on the running board) beginning its triumphal march up Broadway. Note the flying flags and the streaming ticker tape.

Railroad and Industrial Inquiries

Goodrich

A. W. T., Akron, Ohio.—One reason we do not favor Goodrich is because we do not regard the rubber trade outlook with particular optimism. It is doubtful, however, if you should accept such a heavy loss as the stock now shows you. Goodrich is selling at a price where it discounts a great many unfavorable factors and as we do not think the dividend is in any immediate danger of being reduced, you would do well to hold the stock for the present at any rate.

Lee Rubber and Tire

W. N. R., Bristol, R. I.—We cannot encourage you to hold Lee Rubber & Tire with the idea that within the next year or so the stock will sell at much higher prices. This company will not be in a position to resume dividends, even under favorable conditions, for some time yet. In the meantime there may be many developments to change the aspect of its affairs. We suggest that you hold the stock for the present, but that you take advantage of any good rally to close out.

Corn Products Refining

M. W. S., Kingston, Jamaica.—Corn Products Refining has been showing very large profits in the last year or two. The present prosperity of the company, however, must be considered abnormal and probably would not continue under peace conditions. The company is very heavily capitalized and has never been able in normal times to show earnings which would justify anything like the present selling price of the common stock. There is a considerable amount of accrued dividends on the preferred yet to be paid before the common will be in line to receive any dividends. Lastly, the Government suit for the dissolution of the company has yet to be finally settled. It may result in some sort of a split up of the Corn Products Company such as would seriously impair the value of the securities of the company. It is entirely possible that the stocks will have a speculative rise.

Va.-Carolina Chemical

V. T., Battlecreek, Mich.—A reasonably safe investment to return close to 8% is Virginia-Carolina Chemical preferred, now selling around 105, where the yield is about 7.6%. This stock has an excellent dividend record and the dividend is now protected by a very large margin of safety. With a return to normal conditions in the stock market, Virginia-Carolina preferred should be established at a materially higher market level and in the meantime you need have no concern as to the safety of your principal and income, although the stock may temporarily sell lower because of adverse market developments.

U. S. Steel

M. B. J., Shanghai, China.—U. S. Steel is in a speculative position, owing to the many uncertainties now surrounding the corporation as a result of the entrance of the United States into the war. Regardless, however, of an excess profits tax or of the probable buying by the United States Government at very much reduced prices, the outlook for higher prices for U. S. Steel common in the near future is very favorable. The technical market position of the stock is good. There have recently been ample indications that large interests were accumulating it in preparation for an advance. Steel is a market leader, and no advancing movement in the general market would be complete unless Steel did something sensational.

We suggest at this juncture that you protect any commitment you may have in U. S. Steel with a stop order, so that your loss will be limited in the event of a sudden reversal in the market situation. For the long pull, the stock is not attractive except from the speculative standpoint. In the period of depression which is certain to follow the close of the war, steel will be one of the hardest hit of any of the industries which have benefited by the war conditions. It is not likely that U. S. Steel therefore can maintain its high market level under conditions which are likely to develop after the close of the war.

American Beet Sugar

B. T. T.—American Beet Sugar should make a favorable response to any definite upward movement in the general market. We prefer, however, to recommend the purchase of other stocks we have named at this time. A reading of the outlook articles in the last several issues of the MAGAZINE will make it clear to you why we take a bullish attitude on the steel and copper stocks in preference to any other issues.

National Biscuit

M. L. T.—National Biscuit has declined because of weakness in the market as a whole and the general uncertainties in the situation, but more especially has been affected by the fear that continually mounting costs of its raw materials will mean a sharp further curtailment in the company's margin of profit. Flour and lard are the two principal ingredients in the National Biscuit Company's products, and these commodities, as you know, are "out of sight." The biscuit company is a very excellently managed organization and is so well fortified financially that there is probably not much danger of a reduction in dividend payments, unless the present extraordinary conditions remain in force for a considerably

Bargain Indicator Showing Comparative Earnings

Note.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Industrials	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
U. S. Smelt. & Ref. com.....	$5	8.92%	4.46	6.48	14.42	10.08	3.21	27.85	40.99	56	73.19%	Earnings continue at heavy rate.
Butte & Superior	5	11.65	.....	.....	.....	3.47	5.21	33.37	30.57°	43	71.09	Extra dividends.
Crucible Steel com...........	0	0.00	7.39	3.37	6.81	12.84	.....	5.39	45.89	67	68.48	Expects very large business.
Distillers' Securities	2	12.50	2.40	2.95	1.62	1.17	2.28	4.64	10.30	16	64.37	Affected by proposed legislation.
Bethlehem Steel com.........	10	7.46	6.45	6.69	6.86	27.45	32.59	112.49	82.25¶	134	61.38	Large U. S. contract secured.
Maxwell Motor com..........	10	19.61	.....	.....	.....	.....	0.30	6.55	30.18	51	58.98	Affected by increased costs.
New York Air Brake.........	10	7.01	4.48	0.48	5.72	6.55	6.41	13.43	82.15	142	57.85	Extra dividends. Large orders.
American Loco. com.........	5	7.35	1.34	7.26	0.47	17.74	1.30	.....	36.08	68	53.06	Orders coming in from U. S. railroads.
Am. Zinc com...............	4	12.90	9.16	8.90	8.10	.....	1.53	54.92x	16.00	31	51.61	Recent earnings not up to 1916.
General Chem. com...........	8	3.90	19.52	19.77	21.72	19.19	18.73	44.27	86.76	205	42.32	Extra dividends.
Railway Steel Spring com.....	5	10.00	6.00	0.18	5.77	1.31	.....	3.09	20.49	50	40.98	Operating at 100% capacity.
United States Steel com......	5	4.17	12.23	5.92	5.71	11.02	.....	9.96	48.48	120	40.40	Extra dividends, large business.
Cuba Cane Sugar com........	0	0.00	.....	.....	.....	.....	.....	.....	17.36	43	40.37	Decrease in 1917 crop expected.
Central Leather com..........	5	5.81	.....	.....	8.58	5.18	6.41	10.82	33.14	86	38.53	Extra dividends.
Nat. Enam. & Stamp. com....	4	12.90	0.99	1.09	.....	1.05	.....	2.02	11.60	31	37.41	Record business on account of war.
Gulf States Steel com........	8	6.66	.....	.....	.....	.....	.....	10.17	43.59°	120	36.32	Extra dividends declared.
Am. Steel Foundries..........	5	8.19	.....	6.00	.....	4.53	6.01	.....	19.89	61	32.60	First quarter earns at the rate of $13.97 a share.
U. S. Rubber com............	0	0.00	10.24	2.19	6.00	12.19	9.18	10.80	17.75	55	32.27	Syndicate takes nearly half bond issue.
Am. Woolen com.............	5	10.20	2.23	2.12	2.01	.....	.....	6.40	15.32	49	31.26	Big U. S. Government orders expected.
Nevada Con. Cop............	2	8.33	1.45	1.85	2.18	1.45	0.74	2.78	7.50	24	31.25	Extra dividend, earns $1.51 a share first quarter 1917.
Barrett & Co. com...........	7	6.60	.....	11.66	11.11	15.61	10.31	21.19	32.10	106	30.28	Benefited by war supplies.
Am. Smelt. & Ref. com.......	6	6.00	7.09	10.90	11.47	7.47	6.51	16.80	29.75	100	29.75	Extra dividend—new property acquired.
Studebaker com.	10	11.23	.....	.....	4.89	3.11	12.71	27.49	26.14	89	29.37	Productions slightly under 1917 schedule.
U. S. Ind. Alcohol com.......	0	0.00	2.00	4.00	5.00	1.89	1.90	12.60	36.00‖	125	28.80	Big stock dividend expected.
Sloss-Sheffield com.	0	0.00	2.02	.....	0.84	2.09	0.21	0.53	15.22	54	28.18	Dividend recently discontinued.
Chino Copper	6	11.11	.....	0.17	2.80	3.51	3.44	7.67	14.76	54	27.33	Extra dividend—increased cost of production.
B. F. Goodrich com..........	4	7.84	.....	.....	0.34†	0.83	5.62	17.17	12.76	51	25.01	Small deduction in capital planned.
Virginia-Car. Chem. com......	3	7.04	10.42	3.11	3.28	0.53	3.39	7.55	10.39	42	24.73	Good business, possible dividend increase.
Ray Copper	3	10.34	.....	0.25	1.33	1.85	1.65	3.08	7.14	29	24.62	Extra dividends; earns $2.20 a share first quarter.
Willys-Overland com.	3	11.11	.....	.....	.....	4.61	4.33	11.34‡	6.63	27	24.55	Over 44,000 autos shipped in first quarter 1917.
Continental Can	5	5.43	.....	.....	.....	12.10	4.09	12.10	22.38	92	24.32	1917 earnings show decline.

Miami Copper	6	15.39	.....	0.74	2.81	1.75	1.65	4.56	9.36	39	24.00	Extra dividends.
Allis Chalmers pfd.	7	8.23	.....	.....	.....	4.77	.....	6.80	20.00°	85	23.53	First quarter 1917 earnings at rate of $20 a share.
Am. Agr. Chem. com..........	5	5.49	10.42	9.05	7.34	5.23	7.68	10.97	20.57	91	22.60	Continues to do record business.
Int. Paper pfd	6	6.24	4.54	4.61§	5.35	4.44	5.08	5.44	20.62	96	21.47	Preferred dividend adjusment declared operative.
Utah Copper	10	8.85	3.46	3.96	5.35	5.38	5.34	11.03	24.00	113	21.23	Extra dividends; earns $4.46 first quarter.
Westinghouse Elec. com......	3.50	7.14	3.75	6.05	3.08	4.10	5.35	2.36	10.21	49	20.92	Making 3,500 rifles a day.
United Fruit com............	8	5.81	26.80	17.41	16.39	14.53	6.19	16.12	27.97	137	20.41	Earned eight million dollars in seven months.
Corn Prod. pfd..............	7	7.00	7.00	7.10	6.89	7.69	7.70	10.59	20.39	100	20.39	Extra dividends.
Am. Hide & L. pfd...........	5	8.06	.....	0.80	3.22	3.66	0.83	7.38	12.64	62	20.38	Agreement reached between opposing interests.
Pressed Steel Car com........	7	9.46	5.55	0.14	0.76	10.56	0.14	3.60	15.00	74	20.27	Large equipment orders booked.
U. S. Cast Iron Pipe pfd.....	5	9.26	4.35	3.88	5.69	4.50	.....	2.55¶	10.91	54	20.20	Extra dividends probable.
Int. Agr. Chem. pfd..........	0	0.00	10.05	11.39	11.22	.....	0.65	.....	9.80	50	19.60	Benefited from munition products in demand.
Am. Cotton Oil com..........	4	10.53	6.78	.....	6.49	3.38	1.99	7.05	6.99	38	18.39	Heavy material cost.
Am. Can pfd	7	6.66	6.85	7.07	15.86	9.66	10.61	12.19	19.31	105	18.38	Good orders and earnings.
Cal. Petro. pfd..............	4	8.33	.....	.....	.....	11.69	11.49	7.80	8.44	48	17.62	Good earnings for 1917.
Int. Nickel com.............	6	15.38	4.32	7.75	5.89	4.35	2.80	3.33	6.83♮	139	17.51	Fear of Canadian tax on earnings.
Am. Sugar Ref. com.........	7	6.36	3.98	15.61	5.23	.....	2.90	4.99	18.46	110	16.78	Large increased volume of business.
Sears Roebuck com..........	8	4.84	20.47	15.96	19.34	21.17	21.30	17.57	26.55	165	16.09	Record breaking sales.
Am. Beet Sugar com.........	8	8.88	7.11	6.60	8.46	3.87	1.01	7.50	14.30	90	15.88	Extra dividends. Earned $28.36 year ending March 31, 1917.
Am. Linseed pfd.............	3	5.26	4.30	2.59	.....	2.96	1.83	6.02	8.82	57	15.47	Pays 3% July 1.
Woolworth, F. W., com.......	8	6.50	.....	.....	8.73	10.82	10.86	13.19	15.57	123	12.65	Opens 22 new stores—total of 942.
Am. Tobacco com............	20	10.75	86.30	64.40	30.39	28.11	21.00	20.10	22.70	186	12.20	Large sales but fear of war tax.
Col. Fuel & Iron com........	0	0.00	3.93	3.21	4.79	4.58	.....	.....	5.97	50	11.94	Balance for common 1917 first quarter $5.08 a share.
General Elec. Co.............	8	5.09	16.69	14.57	16.19	12.88	11.12	11.57	18.31	157	11.66	New buildings under construction; large orders.
Nat. Lead com...............	4	7.27	4.32	3.59	3.81	3.64	3.73	4.86	6.16	55	11.20	Orders large and business good.
Baldwin Loco. com...........	0	0.00	.....	.....	11.49	13.09	.....	7.14	6.10	57	10.70	New orders received.
Pittsburgh Coal pfd	5	4.54	7.26	5.14	7.48	10.07	5.06	6.11	11.64	110	10.58	Heavy demand and prices higher.
Burns Bros. com.............	6	6.31	.....	.....	.....	4.41	8.40	12.11	10.03	95	10.55	Additional common stock listed.
Tobacco Products com........	0	0.00	.....	.....	.....	0.30	1.03	2.31	5.44	53	10.26	Earnings first quarter 1917 increased 100%.
Am. Malt pfd	4	7.00	1.68	5.29	5.61	2.79	2.29	0.08	4.54	57	7.96	Earnings increased in large volume.
Nat. Biscuit com.............	7	6.48	7.68	9.86	10.00	9.61	11.75	9.52	8.19	108	7.58	1917 outlook good.
Pullman Co. com.............	8	5.48	13.93	9.28	8.69	9.29	9.04	8.79	10.32	146	7.06	New equipment ordered; business normal.
Am. Car & Fdy com..........	4	5.99	6.63	7.11	2.46	4.09	5.52	0.76	2.38‡	67	3.53	Extra dividends.

x Paid 12.50 pfd. stock dividend to common holders 1916, thus lowering earning power of com. for 1916.
° Estimated.
¶ Fiscal year changed to Dec. 31. Seven months' earnings to Dec. 31, 1915, increase 2.55%.
§ Six months ended Dec. 31.
† Nine months ended Dec. 31, 1912.
♮ Reduced to $25 par value.
‡ Year ended April 30, 1916.
‖ Includes earnings Cuba Distilleries' Co., not included previous years.

longer period. On the basis of its past record, the stock should be cheap at its current quotation, but in these unprecedented times it is difficult to make any positive forecasts as to where commodity prices will go.

Swift & Co.

J. D. A.—Swift & Co. has held well during the recent decline in the market and its action justifies the expectation that it will have a good rally with the market turning upward again.

Regarding the prospect of another melon, there is some uncertainty about that. It had been expected that Swift & Co. would benefit materially by the placing of Government orders for supplies for the army. Judging by the attitude of the government in buying its military supplies, it does not appear that companies which get orders are going to be allowed to make any more than a normal profit.

Republic Iron & Steel

C. L. T.—Republic Iron & Steel is speculative, but the stock certainly has better prospects of advancing ten points in the near future than has Southern Pacific. If you are willing to assume the additional risk involved in a switch from Southern Pacific to Republic, we can recommend that you do so. The trend of the market has now turned upward. Republic Iron & Steel, Lackawanna Steel, U. S. Steel and other like stocks should advance substantially. We reiterate, however, that you should not regard Republic as having the same elements of safety of principal and dividend as Southern Pacific and the stock should be bought primarily for profit.

B. & O.

F. X. P.—Baltimore & Ohio common's dividend is in no immediate danger, but if the cost of railroad construction material and of railroad operations continue to rise, Baltimore & Ohio will be seriously handicapped in continuing its present 5% rate. The road is now cutting down on its maintenance charges and that is why its current earnings are showing up fairly well. It cannot cut down on maintenance indefinitely, however. It is, therefore, obvious that the future of the stock depends largely on developments in the raw material price situation. The market generally gives strong indications of doing better and, since there has been such heavy and ill-timed liquidation in Baltimore & Ohio common, the chances favor the stock rallying quite substantially.

Wabash

F. S. G.—Regarding Wabash preferred "B," that stock is so far removed from dividend payments that we do not consider it attractive, especially now, owing to the many uncertainties in the railroad situation, not to mention the uncertain general situation. The Wabash, as you know, has only recently been reorganized and, while its earnings are running at a very satisfactory rate, the road has not had a chance to establish its earning power under the new conditions. On general principles it would not be advisable to purchase for permanent investment a second preferred stock issue in the position of the second preferred stock of this road.

Railroad "Switches"

D. F. A., Utica, N. Y.—Noting that your holdings of New Haven are larger than they are in either Chesapeake & Ohio or Baltimore & Ohio, would say that it would not be a good plan for you to switch all of your New Haven holdings into Chesapeake & Ohio. You would distribute your risk to much better advantage by purchasing some other stocks with part of the funds realized from the sale of New Haven, and we suggest that you purchase 25 shares of Atchison and 25 shares of National Biscuit common. Any amount you have available after this could be placed to advantage in National Enameling & Stamping common. Here is a stock which is speculative, but which has very attractive possibilities at this time, and besides the stock shows a high income yield at its present price of around 31, for the dividend rate is $4 a share per annum. The company earned last year about $11 a share on its common and is now earning at the estimated rate of over $25 a share. It is not a stock which should be held as a permanent investment, but it is an issue in which you can afford to employ part of your funds for the sake of the opportunity it will give you to make up some of your losses in New Haven.

Northern Pacific

W. Van A.—The high grade rails are, of course, selling comparatively low and stocks like Northern Pacific should make profitable investments if purchased now with the expectation of holding regardless of a further decline in price because eventually they should be established at higher market levels. However, the fact that the railroads are faced with such extraordinary increases in expenses is having and will probably continue to have a deterrent influence on this class of securities. As regards Northern Pacific particularly, the crop outlook in its territory is poor and a small crop combined with other unfavorable factors may materially curtail its earnings in the current year.

Co-operating With Your Broker

Lost Certificates—How to Prevent and Insure Against Theft —What to Do—Whom to Notify—Value of the Safe Deposit

By LAWRENCE S. RENZER

WHAT is the first thing to do when you find out that you have lost a certificate of stock? What would you do if you discovered that you had lost a coupon bond unregistered?

The danger from this source is always present, no matter how carefully plans are made. It is not more than a year ago since the registered mails were looted on the way from Baltimore to New York. Many of the stolen securities were found, but some were never recovered. The heavy loss fell upon the sender and in one or two cases, the sender happened to be of the individual type and not a firm or corporation. It might just as well have been a reader of the MAGAZINE OF WALL STREET. It is an insurance to know.

If you own stock, have it registered in your name. This is the first step in insurance. There are two ways of safeguarding this stock. The first, when it is in the possession of the owner, and the second when it is left for safekeeping with the bank or the broker.

Safe Deposit Vaults or Your Broker

The safe deposit vault is the greatest protection for the man who retains his own securities. At all times there should be two lists kept of the holdings, one in the safe deposit box, with the securities and the other should be kept in the personal files of the owner, either at his home or at his office. These lists should show, when the stock, or security was purchased, from whom it was received, a description of the security in full, with the number of the bond or certificate, and the date it was placed in the vault.

If the bank or broker retains the security, and it is paid for and in the name of the owner—or the custodian's name —such custodian should be asked to furnish a memorandum monthly showing that the original certificate or bond is kept in a private parcel separate from the assets of the firm or bank. A guarantee should also be asked to show that the members of the firm or a responsible officer has actually checked the security, looked at it and can vouch for it. There should be nothing left to clerks in this matter. Many a firm has failed and its customers have later found out that their personal property had been used to bolster up the firm's credit.

Get a Receipt for Protection

If the broker or bank should ship security to the customer the sender is responsible for its safe arrival and is continuously responsible until the owner signs a receipt, registered mail, express, or personal, for the goods. If security has been sent to a customer and it is apparently lost, the best thing for the customer to do is to "sit tight" and make the broker trace it. In like manner, if the customer sends security to the broker, the broker is in no way responsible until he signs for possession.

Suppose the security is lost and it is the part of the customer to trace it and find it. Assuredly, quick action is necessary but usually much time is lost because of lack of knowledge. The Fire Commissioner prints a warning to theatre goers to be prepared. "Look around for the exits as soon as seated, and in case of fire, do not run amuck but go quickly and calmly to the nearest exist." Very few stockholders are prepared.

An Authority's Opinion

To quote from Smith's Financial Dictionary, "A coupon bond payable to bearer or a stock certificate assigned in blank is good in the hands of an innocent and bona fide holder who acquires it by honest purchase at a fair market price without knowledge that it was fraudulently obtained by any previous holder even though it may have been lost by or stolen from its owner.

"The recovery of a lost or stolen bond or stock certificate can rarely be accomplished unless it is found in the hands of the finder

or of the thief or his accomplice or some person who has obtained possession of it by fraud or under circumstances which will convict him of knowledge or suspicion of fraud on the part of the one from whom he received it.

"The fact that a lost or stolen bond or stock certificate has been advertised by its number does not invalidate the title of an innocent holder, as it cannot be held that the purchaser of a bond or a stock certificate is bound to have knowledge of the advertisement.

"A registered bond is without coupons (in most cases) and is filled in with the name of the registered owner and is payable to him or his assigns. It is not available to any other person until properly assigned or transferred by the registered owner. If a registered bond (as to principal and interest) or a stock certificate, not assigned in blank, is lost or stolen the owner can secure a new bond or certificate by furnishing a bond of indemnity."

Smith's resume of the situation would seem to infer that there was little chance for the owner of a lost certificate properly assigned to recover, but this is not the case in every event, for if transfer is stopped and proper procedure taken, the innocent holder of the lost certificate can be reimbursed and the real owner get a new certificate.

LOST!

New York, May 24, 1917.

100 SHARES U. S. STEEL, Common,
Henry L. Lee No. 593306.

10 INTERNATIONAL NICKEL VOT'G TRUST CTFS.
Morgan & Feist No. 7537.

40 INTERNATIONAL NICKEL VOT'G TRUST CTFS.
Seligman, Shuman & Polk No. 1749.

If found, kindly notify
JONES & SMITH
290 Wall St., New York City.

Transfer has been stopped, and all parties are cautioned against negotiating the same.

Advertisement of Lost Securities

How to Ship in War Time

War time has suggested many ways of insurance for certificates and bonds coming from abroad. Until the United States went to war, all bonds coming from Germany traveled long, roundabout routes and the coupons were sent separate from the bonds and by a different route from the bond. Stock certificates were sent unassigned and separate powers of attorney were shipped by another route. There are thousands of dollars worth of American bonds in this country, sent from Germany in the early days, which have never met with the original coupons. The latter were lost or confiscated. Sometimes the coupons arrived but not the bonds.

What Corporations Require

Each corporation has its own special requirements to act upon the loss of a security when the owner desires a new certificate issued in its place. In case of loss, the very first thing to do is to write to the company and ask for their own requirements. State the case fully and hide no minor feature. The following steps are the customary ones to secure a duplicate for a lost certificate:

The owner, if the stock is in his name, must send a formal notice of the loss, stating the circumstances, to the Treasurer of the Corporation, and a duplicate to the corporation's transfer office, asking the officials *to stop transfer*.

If the stock is not in the owner's name, the owner must get the co-operation of the registered owner—the name in which the lost certificate stands—and have such registered owner make affidavit of the circumstances, at the same time waiving all rights of ownership to the real owner. This affidavit, with a second sworn affidavit of all the circumstances surrounding the loss, must be sent to the officials and transfer office at once.

The notice of the loss and the notice of transfer having been stopped, must be sent to the secretary of every exchange or known market where trading in the security occurs.

Advertisements of the loss must be inserted in three or more issues of the most prominent financial daily newspapers in each of the cities where the exchanges are located, or markets, on which the security is listed or dealt in. The copies of the newspapers containing

such advertisements are to be filed with the company.

Upon all requirements as above having been fulfilled, and after a wait of six months or so, the company will advise about the next step.

A surety bond, perpetual in character, amounting to twice the par value of the lost certificate, the form to be approved by the attorneys of the company, must be given by the owner. The premium, which is large, must be paid by the loser. In case the stock has no par value, the amount lies within the discretion of the company's advisors.

When all these requirements have been fulfilled, a new certificate may be issued by the company after a second period of about six months.

The Loss of Bonds

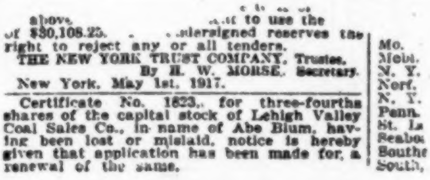
There is not much hope for the loser of a bearer, coupon bond where the ownership is not definitely shown. Such bonds are almost as negotiable as a twenty-dollar gold certificate. The advertising of the number with the hope that it may turn up in some broker's office is about the best that can be looked for.

Many bonds are registered as to principal only and carry bearer coupons. This is a very convenient method of protection and the bonds are easily turned back to regular coupon bearer bonds by having the company register them to "bearer" just before sale.

Some Famous Thefts

Some forty years ago the now almost forgotten Austin Bidwell and his clever associates built up a remarkable system whereby about $5,000,000 was stolen from the Bank of England. Instead of using actual cash, the forgers purchased U. S. Government bonds from well-known brokerage firms in England. These purchases were made as fast as the forged drafts and bills were put through at the Bank of England and the bonds were shipped in trunks to confederates in the United States. Even if the bonds could not be marketed, they could be used for collateral with which to borrow money, and, in the case of these bonds, the borrowing margin was almost at the bid price. Thus, a stolen bond might not appear on the market for years and, in the meantime, the culprit could take his time about getting away with the proceeds.

A few years ago, a clerk in a well-known trust company in New York City got access to the stock certificate book of one of our largest corporations and made out certificates to his own and friends' names. The only forgery necessary was the names of the officers of the company, the transfer officer and the officer of registration. The mistake this


right to reject any or all tenders.
THE NEW YORK TRUST COMPANY, Trustee.
By H. W. MORSE, Secretary.
New York, May 1st, 1917.

Certificate No. 1623, for three-fourths shares of the capital stock of Lehigh Valley Coal Sales Co., in name of Abe Blum, having been lost or mislaid, notice is hereby given that application has been made for a renewal of the same.

Newspaper Notification of Reissuance of a Lost Certificate

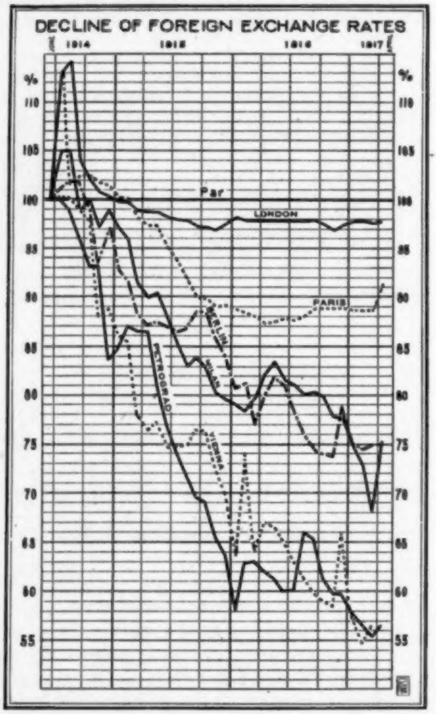
thief made, and they all make some mistake, was to market the stock by actual sale, thus giving an opportunity for the return of the bogus certificate to the transfer office to be transferred to the name of a bona fide purchaser. Had the thief negotiated a long-time loan on these certificates with some bank, keeping the shares in his name but assigned, the theft would have been covered up for possibly years. The realization, however, would have been on only about 75 per cent of the market price of the security.

Every precaution must be taken by the owner of stock certificates and bonds to safeguard. The legal complications and red tape are of such a serious nature that too much care is impossible. Registered mail or express, fully insured, are the safest methods of sending securities and, in the case of registered bonds and unassigned stock certificates, the security may go in one mail to be followed by the detached and separate assignment in another mail.

If you own securities keep a safe deposit vault and a real record of what is in it.

"Calls" in Foreign Exchange

THE graphic indicates at what percentage of the gold or par value the currencies of England, Germany, France, Italy, Austria-Hungary and Russia were quoted in New York City between June, 1914, and March, 1917. The figures show that when the quotations were at their lowest, the Russian rouble as well as the Austrian crown sold at about 55 per cent. of their normal value. As a



matter of fact, the rouble a few days ago dropped to 25¾ cents against 51½ cents normal value.

These tremendous fluctuations made Foreign Exchange a favorite amongst the speculating public in Wall Street, Certain concerns sold Foreign Exchange on margin of about 25 per cent., and a little over a year ago "calls" on Russian roubles and German marks appeared in the market. A "call" constitutes a contract whereby in consideration of a certain amount of money paid, the buyer of such a call obtains the right to purchase something at a stipulated price any time within a stipulated period. These calls in roubles constitute a contract to buy transfer Petrograd either at 32½, 31½, 31 or 30½; the calls are good for the year 1917, and the market in them is at times very active. Most of the calls are papers written by one of New York City's most prominent banking institutions, others are written by prominent banking houses. The calls in Reichsmarks disappeared from the market with the declaration of war.

There can be no doubt about it, that these calls are an extremely speculative investment, and the person that buys such a call should consider the money paid for the call as lost. But if a good sized recovery in the rate of exchange on Russia should take place within the year 1917, very large profits on the original investment will accrue. At present, for example, a call on 100,000 roubles good for 1917 at 31½ can be bought for a consideration of about $650. The present price for roubles is about 27½, or 4 points below the call price. If roubles should not rise above 31½ during 1917, these $650 would be lost, but the loss is limited to this amount, no matter what happens. Every rise of one point above 31½ during 1917 would give the owner of such a call a profit of $1,000 on his investment of $650. If roubles should rise to 37 during 1917, the owner of a call at 31½ could call for his 100,000 roubles at 31½, and sell them at the market price of 37 the same day he is calling for them. Such a transaction would work out as follows:

100,000 roubles called at 31½....	**$31,500**	
Cost of the call.................	**650**	
		$32,150
100,000 roubles sold at 37..............		**37,000**
Total net profit........................		**$4,850**

These $4,850 represent a profit of about 750 per cent. on the original investment. If roubles should go back to par within the year 1917, there would be a profit of nearly $20,000 on the original investment of $650, but such a recovery during this year is of course most unlikely. A substantial recovery in roubles, should the war come to an end this year, may, however, be expected.

Our Contributing Editors

(Under the above caption we will publish from time to time communications from our readers on market topics or other subjects of financial interest. We believe that the interchange of ideas is one of the fundamentals of progress and are, therefore, always glad to hear from our subscribers on matters which interest them. Make your contributions short and pithy and write only on one side of each sheet of paper used. Names or initials will be used only with the writers' expressed authorization.—Editor.)

New York, May 5, 1917.

Editor THE MAGAZINE OF WALL STREET:

DEAR SIR: Everybody will agree with Mr. Kastan's interesting article in your issue of April 28, that a reform in the present system of quoting Foreign Exchange would be timely. The modus of reform which he proposes seems, however, very questionable.

Why should not Exchange be quoted like other commodities, i. e., at a price of so much per unit, instead of so much per dollar? The grocer does not quote so many eggs or so many pounds of butter purchasable for a dollar; what people want to know is how much a dozen eggs or one pound of butter will cost in our currency. This would seem the natural method, and similarly the simplest way of quoting foreign exchange; i. e. to quote what a unit of foreign currency,—a pound, a franc, etc.,—is worth in American currency. Then whoever has to buy or sell, f. i. fcs. 10,000, will know exactly, if the quotation is for so many cents for one franc, how much he is to pay or to receive.

Mr. Kastan's plan, on the other hand, would perpetuate the antiquated system, copied from English usage and retained here in the case of francs, viz. quoting so many francs per dollar,—and would transfer this method to all the other denominations, instead of retaining the others and changing this one. Anyone who has had occasion to notice how impossible it is for the average man to interpret offhand the quotation of, say, 5.20 plus ⅛ per cent.,—that is, to say whether the ⅛ per cent. is to be added to the quotation or to the proceeds, will object to making this unwieldy system our standard.

Mr. Kastan complains of the necessity of bankers' figuring the dollar-equivalent of the pound, the franc, etc., as other people do not know how; but Mr. Kastan's plan would increase that necessity, while under the plan as here advocated, everybody could see at a glance what the dollar-equivalent is in the various quotations, the quotation itself supplying such equivalent.

It would seem that the proposed plan, so far from standing in the way of Dollar Exchange becoming more and more the medium of the world's commerce, would rather facilitate it.

The appended table gives Mr. Kastan's quotations, as well as the simplified modus here advocated.

Respectfully yours,

SIMPLEX.

SUGGESTED REFORM IN FOREIGN EXCHANGE
(Quotations for Telegraphic Transfer)

	I				II				III		
Denomination	**Present Method**				**Mr. Kastan's Method**				**Proposed Method**		
London	$4.76 7/16	(per		£1)	per	$100	Sh.	419.75		£100	$476.45
Paris	5.84¼	("		$1)	"	"	Fr.	584.25	Fr.	100	17.10
Rome	7.85	("		$1)	"	"	Li.	785.00	Li.	100	12.75
Madrid	21.15	("	Pes.	100)	"	"	Pes.	472.81	Pes.	100	21.15
Zurich	5.02½	("		$1)	"	"	Fr.	502.50	Fr.	100	19.90
Berlin	.69⅛	("	M.	400)	"	"	M.	579.71	M.	100	17.28
Amsterdam	.40⅜	("	Fl.	100)	"	"	Fl.	247.67	Fl.	100	40.35
Vienna	11.25	("	Kr.	100)	"	"	Kr.	888.89	Kr.	100	11.25
Petrograd	28.10	("	Ro.	100)	"	"	Ro.	360.36	Ro.	100	28.10
Scandinavian Countries	29.00	("	Kr.	100)	"	"	Kr.	344.83	Kr.	100	29.00

BONDS AND INVESTMENTS

How to Determine the Real Security Behind a Corporation Bond

Vital Points for the Investor to Consider—How to Judge Earnings—Price Affecting Influences

By LEAVITT C. PARSONS
Instructor in Finance, Boston University

THE off-hand answer to the question of what is the real security behind a corporation bond points out three elements: the credit of the borrower, the value of the physical assets, and the earnings. Further analysis, however, shows us that we have not gone far enough. Credit and assets are necessary, it is true, but without sufficient earnings, investment value is largely lost. The real answer to the question should be "the size and stability of the corporation's earnings." Two examples serve to illustrate our point. The firm of H. B. Claflin & Co. but a few years ago enjoyed the highest type of credit, and its notes were widely bought by conservative banks. The company failed through instability of earnings, and the banks lost. The Western Pacific R. R. represents a piece of high-grade, expensive railroad construction. There were outstanding $50,000,000 first mortgage bonds on the company's property valued at over $100,000,000. The interest was unpaid, and the mortgage foreclosed, with the bonds selling at a price of thirty-three cents on the dollar, giving the road a market value of less than $20,000,000. The company had not enough earnings to pay its running expenses.

Judging Earnings

The stability of earnings cannot be understood until we study the factors that go to produce earnings. Analysis shows us that there are five factors affecting profits:

1st—Volume of sales.
2nd—Price obtained.
3rd—Cost of raw materials.
4th—Wages.
5th—Depreciation and charges due to obsolescence not properly chargeable to capital account.

On taking these up in further detail we find some interesting facts. By volume of sales we mean the steadiness of business as well as its magnitude. This factor affects profits in two ways. In the first place the volume of business done means that the percentage of overhead chargeable to each unit grows less as the business increases, and if all the other factors remain the same the per unit reduction in overhead means an increasing profit per unit sold. A striking example of the reduction of overhead by increasing volume is found in the three-shift policy of the Ford Motor Company, which thus keeps its factories producing twenty-four hours each day. Stability of earnings is important because fluctuations in the volume of business mean additional expenses incurred in adapting the manufacturing and selling organization to the changes in amount of sales. In times of depression a decline in the volume of business often so cuts down the net earnings as to injure the investment position of a company's junior securities. The case of the American Woolen Co. before the present war might be cited as an illustration. The falling off in business so reduced the net earnings that the company paid a part of its preferred dividend out of accumulated surplus. Such a policy has very definite limitations in time.

By price obtained we mean the ability of a corporation to determine a fair profit above the cost of production of its goods or services.

Price Affecting Influences

There are two influences affecting price. The first is competition from other corporations, and the second is legislative or regulatory limitations on prices charged. During periods of prosperity abnormal and often artificial conditions so stimulate prices that the initiative in price-setting rests with the seller, and we find industrial corporations securing for themselves abnormal profits. These high prices offer inducement for new enterprises to enter the same field, until, due either to increased production or a readjustment of conditions, the ratio of supply and demand is reversed and a wholesale cutting of prices ensues in the attempt of every manufacturer to find a market for his products. The American Zinc Co., on the edge of bankruptcy prior to the war, was raised to a position of immense prosperity, due to such conditions arising in the market for spelter. In free competition prices are set by supply and demand and are necessarily subject to violent fluctuations. The railroads of the United States afford an illustration of legislative limitation of prices. The business of transportation is of a monopolistic nature. The control of rates rests in the hands of commissions created by the legislature. These commissions find it difficult, in the face of shippers, to raise rates, and consequently most of our railroads are unable to do any financing through the sale of stock. The cost of materials and labor grows every year, but the rates are fixed. In other words, the operating expenses increase by economic law, and the gross earnings are limited by statutory law, with the result that under a fixed volume of business the net profit is gradually being pinched out.

Raw Materials Costs

The cost of raw materials affects profit materially, unless the condition of the business allows the manufacturer to raise his prices proportionally. This, too, has definite limits, as prices beyond a certain figure limit the market and so reduce the volume of business. The railroad case mentioned shows the importance of this factor where resale prices are fixed.

Wages or Labor

Wages, or the cost of labor, is another factor that has two influences upon corporate profits. The first is that the labor cost is increasingly important as the proportion of the total operating expenses paid for wages increases. The force of this is illustrated by comparing the influence on profits of a ten per cent. wage increase in a railroad, where forty cents on the dollar goes for wages, with a gas or water company where the labor cost represents only a few cents. The other factor in labor cost is that in prosperous times labor is less efficient per employee than at other times, and consequently, unless prices can be maintained, the cost of making each article is higher.

Depreciation

The last factor affecting profits is more subtle and too often neglected. This is the necessity of reserving a certain amount of gross profit for depreciation, to make good the cost of property gradually worn out by the wear and tear of business of spite of ordinary repairs.

This is the simplest form. The more complex and often most dangerous is the charge to depreciation on account of obsolescence. In the course of the manufacturing business much technical machinery is required. Competition means that the machinery that will make the largest amount at the lowest cost must be installed or business will be lost. Thus it often becomes necessary, in order to buy new machinery, to scrap old machinery which has not been entirely written off by regular depreciation charges. Special reserves, therefore, must be set aside to offset this cost of obsolescence, which, because it really represents nothing more than the replacement of other equipment, cannot be properly made a capital charge and must be taken from the annual earnings. Such expenses vary in different companies and are not unknown to business other than manufacturing. Telephone companies cannot treat all their income above operating expenses as profit, as they must establish immense special reserves to take

care of unforeseen emergencies, such as the replacement of wires torn down by storms, etc. If these are not provided for out of earnings before any talk of dividends, a company would soon be bankrupt.

Other Income

This review covers the factors which determine how much of a gross income is consumed before any income is received on corporate securities. As every investor is interested in the latter, he is therefore obliged to consider how far the profits of the corporation in which he is interested, are affected by these influences. The three general groups of investment securities can be reviewed at a glance. Industrials are affected in their volume of sales by general periods of prosperity and depression and in their prices obtained by competition from other companies in the same line and products used as substitutes. The nearer a monopoly, the higher the average price obtained. The cost of raw materials affects industrials just as the high cost of living affects us; it cuts down our surplus. Wages are a point of weakness in industrials. Prosperous times mean strikes, and there is always the danger of the demand for increased wages cutting down the earnings. Depreciation charges vary with different industries, and this factor must always be very carefully examined into, in order that we may see whether the company is conservatively managed or is weakening its investment position by unknowingly paying out its capital thinking it profit.

Railroads

As to the railroads: the volume of sales here also reflects general conditions of prosperity, following slightly after industrial earnings, without their violent fluctuations. This is due to the fact that about 70 per cent. of railroad earnings come from freight. The price obtained, we have seen, is controlled by an Interstate Commerce Commission, which apparently is little inclined to give the companies more breathing space. The railroads are probably the largest purchasers of supplies in the country, and consequently they are seriously affected by increases in the cost of materials. It has been said that something like 5 per cent. of the working population of the United States is employed by the railroads. The recent strike talk shows how open the railroad employees are to any argument which would prevent them from getting the increases they want. Labor is the largest single expense the railroads have. Well operated railroads must turn back from 20 to 30 per cent. of gross income into maintaining their equipment. This can be only slightly reduced in bad times and means that there is less surplus left every time the earnings decline.

Public Utilities

Public utility securities show an interesting contrast to the above. The volume of sales can be increased to limits determined by the territory served and once developed is not susceptible to the ordinary fluctuations. The reason is that light, water, etc., are personal necessities and are always in demand. The price obtained represents a fair charge for the service rendered. The company is protected from competition by a franchise, and the security holders are assured a reasonable profit by the courts. Gas, electric and water companies use very little raw material, and their profits are not materially affected by changes in cost. The wage problem is almost insignificant, except in street railways, which in many ways are more closely identified with railroads. The average public utility company has its property in the form of substantial buildings and heavy machinery and in wires or pipes underground. These are not susceptible to rapid depreciation, and the protection of a franchise makes it unnecessary for the company to scrap its old machinery because of price-cutting competitors.

Conclusion

Based upon these arguments, I believe that industrials and railroads offer opportunities for sound investment only in special cases, while the investor in public utility securities finds his securities generally economically and intrinsically strong.

Accounting an Investor Should Know

Protection Against the Risks of Business—U. S. Steel Policy —"Watering"—What Surplus Is Distributable?

By EARL A. SALIERS

Assistant Professor of Accounting, Sheffield Scientific School of Yale University

Article VII—The Surplus Reserve

CONSERVATISM is usually regarded as a prime business virtue. Capital is timid and it requires a great amount of demonstration to convince it that it is safe and will so continue. It seeks the well protected places and shuns exposure to uncertainty and the evil effects of misjudgment. This, of course, is due to the fact that every investor treasures his possession of capital and its welfare is ever one of his deepest concerns.

The Risks of Business

One of the marks of conservatism on the part of those who engineer large financial enterprises is their constant solicitude for the safety of the capital intrusted to their hands. Every kind of business must face certain risks and hazards of a more or less characteristic kind. Some of these hazards are seasonal and can be forecasted with a greater or less degree of certainty. Others are less certain as to time of occurrence, duration, and intensity. Different lines of enterprise suffer from uncertainty, depressions and the like in varying degrees — depending on the character of the enterprise itself. Some establishments enjoy a pretty even income from month to month and year to year. Others must be prepared to face great irregularities in this respect. The former type of enterprise is exemplified by most public utility corporations; the latter by the so-called industrials. Midway between the public utilities and the industrials are railroad companies and certain other activities.

A public utility supplies a service for which the demand is quite constant and uniform. People consider street car service, electric lights, gas and water as essentials without which they cannot live comfortably. Most public utility companies, moreover, are not subject to disturbing competitive influences, while their rates are determined by public service commissions, and remain fairly constant. The industrials, on the contrary, are very susceptible to the unsteady forces of competition, to variations in supply and demand, and to the effects of general prosperity and depression.

Protecting the Investment

These considerations suggest certain differences that must be reckoned with by managers who do not keep their noses perpetually upon the grindstone of daily routine, to the detriment of a broad conception of the nature and requirements of their business. To make capital safe in an enterprise which involves considerable hazard in the form of irregular income and of changes in prices, supply and demand, it must be hedged about with certain protecting barriers which would not be so essential were less hazard involved.

The prescribed method of putting an enterprise on a basis which will in a large degree protect it from the financial inclemencies suggested above, is to retain a portion of the profits. When a corporation begins its career it does so with a certain amount of capital, for which it issues its capital stock. Possibly it also secures a portion of its funds by the sale of bonds. It now has the privilege of keeping the value of its assets at their original figure or of enlarging it in one way or another by using some of its profits for that purpose, instead of distributing them to stockholders. It might also do this by issuing additional stock or bonds. If the latter method is pursued, however, the equity back of any particular share of stock is not increased.

But if a portion of the profits is retained in the business, the total worth of the assets is increased while the amount of outstanding securities remains unchanged. This means that the equity back of each share of stock is increased. By pursuing such a policy an enterprise may be given additional strength and staying power, limited only by the amount of the profits which it may be possible to reserve. Therefore, as regards its surplus the policy of a company is of vital interest to the investor.

Policy of the U. S. Steel Corporation

An examination of the balance sheets of the United States Steel Corporation for the past few years reveals interesting facts bearing upon its policy of reserving profits. Its balance sheet for December 31, 1908, shows an undivided surplus of over $133,000,000, of which $25,000,000 was provided at organization, April 1, 1901, while something over $28,000,000 represents profits accrued on inter-company transfers. Probably the best index of the Corporation's policy is found in the difference between its total undivided surplus, $133,000,000, and the total of two of its component parts mentioned above, namely, the $25,000,000 initial surplus and that of $28,000,000 secured on inter-company transfers—which leaves about $80,000,000 as the actual surplus accumulated from operations other than inter-company.

Although it might not be advisable to dispute the existence of the initial surplus of $25,000,000, the investor may safely discount it about 100 per cent. Whether profits on inter-company sales ought to be reckoned at all is questionable. Let us be radically conservative and discount this 100 per cent. also. This leaves a balance in surplus, as at December 31, 1908, of slightly over $80,000,000. Indeed, in its later reports the surplus resulting from inter-company transfers is deducted from the amount of the inventories, on the asset side of the balance sheet.

Now, from an actual surplus, accumulated out of profits, of $80,000,000 in 1908, the amount has grown to over $180,000,000 in 1915—representing an average annual accumulation, since 1908, of over $14,000,000. These facts indicate the development of a policy. That policy consists in retaining in the business a sufficient part of the profits to enable the company to construct a protective breastwork against the depleting effects of unprosperous years. We shall see how useful the surplus of the United States Steel Corporation proved to be in 1914 when the depressing effects of the declaration of war in Europe were greatest in the steel industry.

In 1913 the profits of the company enabled it to pay a dividend of 7 per cent. on its preferred stock and one of 5 per cent. on its common stock, to appropriate $15,000,000 as a special reservation of profits, and in addition to add over $15,500,000 to surplus. In 1914 its profits fell off to so great an extent that the payment of a dividend of 7 per cent. on the preferred stock and one of 1½ per cent. on the common stock, resulted in a current deficit of nearly $17,000,000, which was charged to surplus. Had there existed no surplus accumulated from past years, and had the principle requiring the payment of dividends only out of profits been strictly observed, the preferred stock would not have received its full 7 per cent. allowance and the common stock would have received nothing.

Conservative Procedure

From what we have said hitherto, the investor will ever be on guard against taking balance sheet statement for granted. Having found a surplus in the balance sheet he should convince himself that it is an actual, not a paper, surplus.

If a company is careful to charge all expenses, depreciation, etc., to income, and in addition shows in its income statement a reservation of profits to surplus, the conversatism and general correctness of its policy is quite certain, even though the numerical accuracy of its surplus account may be questioned. Thus, if at a given date the surplus account stands in excess of what it really should be it is erroneous to the extent of the over-statement. Nevertheless, if thereafter all additions to surplus represent bona-fide reservations of net profit the policy of the company may be considered a conservative one.

Undoubtedly the mergers and reorganizations of the past decade have introduced a great quantity of "water" into the accounts of the concerns reorganized.

In some cases the entire issue of common stock is "water." It is the hope, of course, in these cases that increasing prosperity and the consequent increased valuation of assets will squeeze out this "water." Sometimes they do. Tremendous growth in realty values has done this for many railroad companies. Sometimes they do not. Many of the big industrial mergers were figuratively swamped in "water." When this occurs drastic reorganization becomes necessary. The purpose of nearly every such reorganization is to scale down stocks, or bonds, or both, and thus automatically reduce the "water." When all "water" is removed the moment has arrived when all further addition to assets without a corresponding increase of stock or bonds results in a surplus.

Surplus on Sales of Stock

Occasionally a surplus results from some source other than the profits derived from ordinary operations. Sometimes a corporation is able to market its stock for more than its par value. When such is the case the excess of the amount received over the par of the stock is usually credited to an account entitled, "Premium on Capital Stock." Should such a premium be considered as an addition to surplus and therefore subject to use for dividend payments, or should it be considered as a permanent reserve for the protection of both stockholders and creditors?

The answer to this question involves the consideration of one of the most fundamental concepts of corporation finance, namely, the status of capital stock from the standpoint of those who become the company's creditors, either as traders or as investors. The creditor assumes that back of outstanding stock there exists a certain equity which serves as his protection. Stock must be full paid. The right of the creditor to be assured that this equity really exists is emphasized by the fact that, in all the states but two, California and Minnesota, the stockholder's liability is strictly limited to the par value of his stock. That is, if his stock is full paid, he cannot lose more than he invests in it.

What Surplus Is Distributable?

As a consequence, the resources to which the creditor can look for the satisfaction of his claims is limited strictly to the assets of the company indebted to him. All money received by a corporation from the sale of its stocks, at par, becomes in a sense a trust fund for the protection of its creditors. But suppose stock is marketed above par. Does the same then hold true for money received, on sale of stock, over and above its par value? It is impossible at present to give an unequivocal answer to this question. A recent decision (July 14, 1914) of the court of appeals of New York affirms that surplus in the form of a premium on stock is distributable as dividends, while many authorities assert the contrary.

At all events, the investor ought to be prepared to distinguish between the two possible sources of a surplus, (a) profits from operations, and (b) profits from extraordinary sources. It is out of the former that valid surpluses are generally formed.

Bond Inquiries

Chesapeake & Ohio 5's

T. M. W.—There is no specific reason for the recent sharp decline in Chesapeake & Ohio convertible 5's; that is, there is no reason that cannot be applied as an explanation for declines in other railroad bonds, with the possible exception that the Chesapeake & Ohio convertible 5's have been selling out of line with the higher grade railroad bonds. In other words, they were selling on a speculative level, due, of course, to the fact that they had the convertible feature. It would be inadvisable for you to sacrifice your holdings now. The market for bonds generally may be depressed for a considerable time yet, but you may at least rest assured that the ultimate position of the bonds is secure so far as safety of principal and interest is concerned.

Kansas City Southern 5's

M. C.—The recent decline in Kansas City Southern refunding 5's has been more in sympathy with the general declines in investment issues of this character than because of any special consideration. This issue is safe to hold for income, although it is not at all unlikely that it will sell lower if the war continues and the market has to absorb additional Government loans.

High Grade Bonds

T. C. L., Brooklyn, N. Y.—It is advisable for you to invest your funds in high-grade bonds and preferred stocks, which may now be purchased at extraordinarily low prices.

The following list combines, in a high degree, the cardinal principles of an investment, namely, safety as to equity and income, diversification of risk, both geographically and in point of industries represented, and marketability:

	Amount.	Price.	Cost.
Central Leather 5s....	1 M.	100	$1,000.
Balti. & Ohio Ref'g 5s.	1 M.	97½	975.
Am. Tel. & Tel. Coll. 5s	1 M.	98¾	990.
Armour & Co. R.E.4½s	1 M.	91¼	912.
Atchison, Topeka & Santa Fe General 4s.	1 M.	91½	915.
Union Pac. 4% pfd. stk.	10 sh.	78	780.
Nat. Bis. 7% pfd. stk.	10 sh.	118	1,180.
F. W. Woolworth 7% preferred stock......	5 sh.	124	620.

Any remaining amount of capital you have for investment should be put in the Liberty Loan.

Third Avenue

A. T. R.—The plight of Third Avenue, in common with that of all the local traction companies, is indeed a sorry one. But it is now more apparent than ever that the worst for the company is over, for the time being at least. Those who have thrown their Adjustment Income bonds overboard in the excitement of the past few weeks during the bear raids on the traction securities may have cause to regret having done so. The indications are that the urgent liquidation has been completed. There is little encouragement for the hope that interest payments will be resumed by the Third Avenue any time in the near future, but the road should show a distinct improvement in earnings from now on and throughout the summer. The after effects of the strike last fall have now worn off. The company is faced with less difficult operating problems in the summer than it is in the winter. Its passenger business is larger during the warm months.

You, of course, recognize that there is a considerable element of risk involved in holding these bonds, no matter what the outlook may be, but if you can afford to, we think the risk is worth taking for the sake of making up part of your heavy loss, and we therefore recommend that you wait for a better market on which to sell.

Exchanges

C. J. T.—Kinloch Telephone 6s are high-grade bonds, but there are so many equally high-grade issues now selling on as an attractive a yield basis that it would be desirable for you to exchange your Kinloch bonds for something like United Kingdom of Great Britain and Ireland 5½s, due 1921, now selling around 96. These notes are secured by collateral, with a market value in excess of the face value of the note issue, and they are therefore in a very secure position. The advantage in having your money in short-term securities at this time is that they are not likely to be depressed nearly as much as long-term bonds in the event that succeeding Government loans at higher interest rates force a readjustment of the prices of existing outstanding bond issues. If you put your money into short-term notes you will have the gratification of knowing that you may withdraw the funds at any time without a material loss of principal. Thus you would be in a position to take advantage of lower prices that may be seen for the highest grade bonds.

The position of the United Railways of St. Louis 4s is not good, and we suggest that you exchange these bonds for St. Louis & San Francisco Prior Lien 4s Series "A," now selling around 63. These latter bonds are protected by a very wide margin of earnings and their prospects are good, although, of course, they would not be selling so low if there was not some speculative risk involved. In their class, however, we consider these bonds a most attractive purchase.

A desirable exchange for your St. Louis & Suburban General Mortgage 4s would be the St. Louis & Southwestern First 4s.

Public Utility Notes

American Power & Light.—This company and local Omaha interests have acquired all of the common stock of the Omaha Electric Light & Power Co. The combined earnings of the Omaha Elec. L. & P. Co. and its subsidiary for 12 months ended March 31, 1917, were: Gross, $1,851,161; net, $750,916.

American Tel. & Tel.—The proposition to tax telephone messages under the war bill recognizes no new principle. Toll messages have been at different times taxed for revenue, with little curtailment of service. American Telephone in 1917 will have about $200,000,000 gross from exchange revenues and over $75,000,000 from toll and long distance. The proposed 5% tax on exchange service would bring approximately $10,000,000 revenue. The tax would be added to monthly bill of the individual user.

Blackstone Valley Gas & Electric.—A special meeting has been called for May 17, 1917, to act on changing the par value of the common stock from $100 to $50 a share. The Rhode Island Assembly has approved amending the charter to permit the change in the par value of the stock. Par value of preferred shares will remain unchanged at $100 and preferred holders will have two votes for each share at all meetings.

Brockton & Plymouth Street Ry.—Earnings, ended Dec. 31, 1916, totaled $122,614 gross, compared with $115,207 for 1915; net of $13,501 compared with $18,774 in 1915; and a deficit of $3,084 after interest charges and preferred dividend at the end of 1916, compared with a deficit of $1,318 at the end of 1915.

B. R. T.—In the nine months ended March 31 earned 4.73% on its $75,575,321 capital stock, compared with 5.53% in the same period a year previously. Proportionate dividend requirements at the regular 6% rate were earned with a surplus of $221,600, and indications are that for the full fiscal year to end June 30, 1917, the company will safely earn its dividends. April gross of this company gained $111,000, or 4.9%. Since July 1, 1916, the ten months' increase in gross receipts has been $1,287,085, or 5.7%.

Chicago Telephone.—March gross earnings amounted to $1,797,146 against $1,607,241 in 1916 and a net after taxes of $371,339 against $374,177 last year.

Cincinnati Gas & Electric.—The N. Y. Stock Exchange admitted to the list additional $1,936,000 5% first mortgage bonds, making the total $6,436,000. Income account, year ended Dec. 31, 1916, shows total earnings of $1,778,943, net of $1,758,915 and surplus after dividends of $6,100.

Edison Electric Illuminating, Boston.—Reported gross earnings for April as $778,595, compared with $692,630 for the corresponding month of 1916, an increase of $85,965.

Interborough.—In April, 1917, the subway carried 37,814,292 passengers, an increase of 3,662,514, or 10.7% over April, 1916. The elevated carried 29,771,642 passengers, compared with 27,942,079 in April, 1916, an increase of 1,829,563, or 6.5%. Passengers carried in the last ten months of the fiscal year totaled 634,740,670, an increase of 69,244,983. April's increase on the subway was $181,989, and on the elevated $91,481, a total of $273,390 for Interborough. Fares for April amounted to: subway, $1,888,586; elevated, $1,487,549; a total of $3,376,135 for the Interborough system.

New York Rys.—Under an order adopted by the First Dist. P. S. Comm. was authorized to purchase 6,842 out of the 9,000 shares of the Bleecker Street & Fulton Ferry R. R. Co. at $28.50 per share of a par value of $100. The remaining shares will be purchased at the same price if deposited within a certain period. The old Bleecker Street horse car line was leased to the Twenty-third Street R. R. Co. and then taken over by the old Metropolitan Street R. R. Co.

Pacific Gas & Electric.—Purchased from the Mount Shasta Power Co. its water rights on the Pit River. The development of the hydro-electric sites on the new purchase is expected to be accomplished in a five-year period, the work of construction starting in 1918.

Reading Transit & Light.—This company and the Metropolitan Electric Co. are planning to install underground wires in the existing conduit system in the business section of Reading, Pa., including connections, etc., at a cost of approximately $1,000,000.

Tennessee Ry., Light & Power Co.—Earnings statement, year ended Dec. 31, 1916, shows: Gross, $4,883,636; net after taxes, $2,094,256; surplus after charges, $645,849. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $55,119.

Third Avenue Ry.—Plans by the traction lines in N. Y. City and State for relief in the form of application to be made to the Public Service Commissions did not include the New York subway and elevated systems, but only the street surface railways. The charge of 2 cents for a transfer is the principal means of relief proposed, next to the 6-cent fare, and would in itself afford substantial financial aid to the companies, and reduce congestion by preventing unnecessary riding on transfer privilege.

United Light & Rys.—Earnings, year ended March 31, 1917, are as follows: Gross income, $1,919,139; net income, $1,161,283; surplus after preferred dividends, $562,010. Earnings, subsidiaries, year ended March 31, 1917, are as follows: Gross, $7,001,979; net after taxes, $2,656,313; surplus after charges and preferred dividends, $1,246,522.

Public Utility Inquiries

General Gas and Electric

H. K., Brattleboro, Vt.—After making an investigation of the General Gas & Electric Co. situation, it is difficult for us to see where there is any encouragement for expecting an early resumption of dividends on the preferred stock. The company failed to earn the dividends last year, when the net income was $101,028 against a dividend requirement of $133,000.

The following extracts, from the statement of President W. S. Barstow in his annual remarks to stockholders in April, when the annual report was issued, should give you a good idea of the situation. We may preface this by saying that the position of the preferred stock is extremely speculative and we do not recommend its purchase.

"The operating revenues of all subsidiary companies during the past year have shown a steady increase, but owing to the cost of reorganization of several of the properties and operating disturbances due to the large amount of new construction work, expenses were abnormal, especially on the Pennsylvania Utilities Co.'s system. This, together with the price of coal and the increased cost of labor, prevented the companies from making the showing contemplated.

"While the business of the companies in 1917 will show a gain over 1916, expenses during the coming year will no doubt be proportionally increased by the higher cost of coal and labor. Although the companies have contracted for coal with reliable parties for several months to come, railroad congestion and other uncontrollable causes may necessitate the frequent purchase of coal nearer at hand at higher prices.

"Special attention has been given the coal problem and your company through the control of a coal property hopes to place its subsidiaries in a position where fuel costs can be reduced."

Consolidated Gas

H. P. F., N. Y. C.—Consolidated Gas has declined largely in sympathy with the general weakness in local public utility issues. The increased cost of coal is not so much a factor in Consolidated Gas Company's operations as is the increased cost of gas oil, for the company is held to a light unit of power and it must use gas oil to meet the requirements. The position of the company is analogous to that of the Peoples' Gas of Chicago, which has been forced to reduce its dividend because of the greatly increased expenses, due largely to the higher cost of gas oil. The Consolidated Gas dividend is not in danger, at least so far as the immediate future is concerned, for the company is in such a wonderfully strong financial position and has such a large surplus, that it could easily maintain its 7 per cent. dividend, even if earnings fell off materially. However, if the present unfavorable condition continues or is aggravated, it may mean in time a cut in the dividend. We cannot recommend the stock now for permanent investment.

Laclede Gas

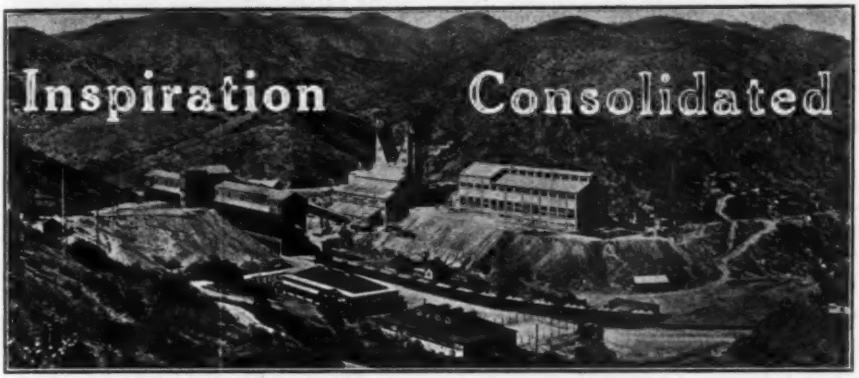
W. S., Fordham, N. Y.—Laclede Gas has been unfavorably affected in sympathy with the decline in public utility issues generally. The company, like all others in its class, is suffering from the high cost of operation, but there is little reason to apprehend a reduction in the dividend even under less favorable conditions. The company is very conservatively and efficiently managed. Actual proof of this was given last year when the directors ordered a distribution of $1,700,000 as an extra 10 per cent. dividend on the common stock, and also directed the officers to pay each employee a bonus of 10 per cent. of year's salary. This represented a reserve accumulation out of net earnings during six years.

In a letter to stockholders, President Holman stated that the company wished to wait until there was an abnormal business before making a distribution of this surplus. In 1916 the company earned 11.21 per cent. on its common stock after allowing for all fixed charges and preferred dividends. Its earnings over a period of years have been as follows: 1915, 9.24 per cent.; 1914, 8.20 per cent.; 1913, 8.16 per cent.; 1912, 8.40 per cent.; 1911, 8.52 per cent. While this stock may go lower because of unfavorable outside conditions, it should be re-established at a substantially higher market level eventually. You should hold it.

United Gas Improvement

M. P., Concord, N. H.—United Gas & Improvement is an exceptionally high grade investment stock, but in these days of the readjustment in the prices of the strongest and best seasoned public utility investment issues, United Gas & Improvement, at 136 per cent. of its par value, looks high. It is selling on about a 6 per cent. basis. Since the company paid an extra stock dividend recently, the speculative incentive has been removed from the stock, especially as the war situation of course creates a conservative feeling on the part of the managements of such high class companies. An excellent exchange for this stock would be Woolworth common, also paying 8 per cent., but selling at approximately 123, where the income return is about 6½ per cent. The possibilities for appreciation in market value in Woolworth are much greater than they are in United Gas & Improvement. It will also contribute to the better balancing of your entire investment list to have part of your funds in such a stock as Woolworth. We would not venture the prediction that the stock will not sell lower, but we do not believe there is any danger of a reduction in the dividend, and we feel very confident that within the next few years you will have an investment which will be worth more than United Gas & Improvement.

MINING AND OIL



A Young Copper Giant Coming Into Full Strength—Earnings, Prospects and Investment Position of Its Stock

By H. J. MUELLER

WITH March of the current year Inspiration Consolidated Copper Co. completed the first half decade of its corporate existence. This enterprise is a typical example of the "porphyry" copper property. Beginning its existence long after the "porphyry" plan of mining had been thoroughly tested, it enjoyed the advantages of the accumulated experience of the pioneers in that field. Its development has proceeded in a well-ordered manner and about as close to early estimates as it is reasonable to expect in the more or less uncertain business of mining. There have been no spectacular "upsets" and recoveries to give its shareholders heart palpitation; in fact, Inspiration on the whole has been a remarkably well-behaved property.

The Company's Development

Last year was the first that Inspiration reached what might be called a respectable production basis and it is appropriate, therefore, to review Inspiration's development to date and the company's prospects.

The development so far may be roughly divided into three periods, the first from March, 1912 to June, 1915, which was an era of underground development and plant construction. Before this time the ore bodies had been pretty thoroughly defined by churn drilling, but there had been little underground work.

On June 29, when the first unit of the mill began operations, the work of real production commenced and the ensuing six months saw 20,445,670 pounds produced from the units operated. This might be termed the second period. The third period embraced the full operating year of 1916 when the company produced 120,772,637 pounds of refined copper, which was sold at an average price of 22.62 cents per pound, yielding a net profit for the year after all deductions, of $20,629,489, equivalent to $17.45 per share. The young copper giant had demonstrated its capabilities in no uncertain manner.

Some Pertinent Data

Inspiration's mines are situated in the famous Globe district, Pinal County, Arizona. Other well-known producing copper properties in the same state are Miami, Ray Consolidated, Magma, Old Dominion and Shattuck-Arizona. Inspiration owns 1,870 acres of mineral lands which contained, on January 1, last, developed ore totaling 91,789,120 tons.

The ore is of the "porphyry" type, averaging about 1.54 per cent copper. Last year Inspiration treated somewhat more than 5,000,000 tons and at that rate the property has a life of approximately 20 years, provided no more ore is developed.

Capitalization, Dividends, Book Value

Inspiration has an authorized capital of $30,000,000, of which 1,181,967 shares, par value $20, are outstanding. Dividends were started May 1, 1916, with an initial declaration of $1.25 and the rate was increased to $2.00 quarterly in July of last year, where it now stands. Table 1, which accompanies this article, summarizes Inspiration's earnings and disbursements as reported to date. The book value of the stock, including reserve accounts, is $31.89 per share, and the actual earned surplus up to January 1, last, was $10.72 per share.

The company carried over from the 1915 output copper valued at cost to the amount of $1,101,398.80. If we eliminate this item from the 1916 receipts, the actual earnings are as follows:

Sale of 120,722,637 lbs. Copper at 25.393 Cents per lb.	$30,667,795.71
Cost of Production, Taxes, Depreciation, etc.	11,765,454.91
Net Earnings	$18,902,340.80

Earned on 1,181,967 shares, $15.992, or $1.332 per month, or $1.022 per share for every cent that copper sold above cost.

COPPER PRODUCTION

	Pounds
Six Months Ending Dec. 31, 1915	20,445,670
Twelve months Ending Dec. 31, 1916	120,722,637
Total	141,178,307

Total production sold for $34,635,221.29, at an average of 24.352 cents per pound.

	1915	1916	1917
Cost of Production	8.132c.	8.673c.	8.80c.

TABLE I

SUMMARY OF INSPIRATION'S 1915-16 OPERATIONS

RECEIPTS	1915	1916	Total
From Sales of Copper	$1,138,878.19	$33,496,343.10	$34,635,221.29
DISBURSEMENTS			
Mining Expense, Including Development	530,485.72	3,335,888.55	3,866,374.26
Transportation of Ore and Reduction Expense	701,763.32	4,590,398.63	5,292,261.95
Trans. of Metals, Refining and Selling Expense	362,876.70	2,459,344.88	2,822,221.58
Administration Expense and Federal Corp. Tax	45,088.97	478,344.88	523,877.84
Interest	....	151,033.98	151,033.98
Depreciation	....	750,000.00	750,000.00
	$1,640,214.71	$11,765,454.91	$13,405,669.62
Copper Carried Over at Cost	1,101,398.80	1,101,398.80	....
	538,815.91	12,866,853.71	
Receipts	$1,138,878.19	$33,496,343.10	$34,635,221.29
Disbursements	538,815.91	12,866,853.71	13,405,669.62
Available for Dividends	$600,062.28	$20,629,489.39	$21,229,551.67

EARNED ON 1,181,967 SHARES

$17.961 per Share for 18 Months Ending December 31, 1916. Per Month................. $0.998
17.453 per Share for 12 Months Ending December 31, 1916. Per Month................. 1.454

An average of 14,850.1 tons of ore were milled daily in 1916. For the year 1917 two new mill sections, making 20 in all, will be in operation. It is estimated that the 20 sections will mill an average of 18,000 tons of ore daily. For the month of February, 1917, an average of 17,013 tons was regularly maintained daily.

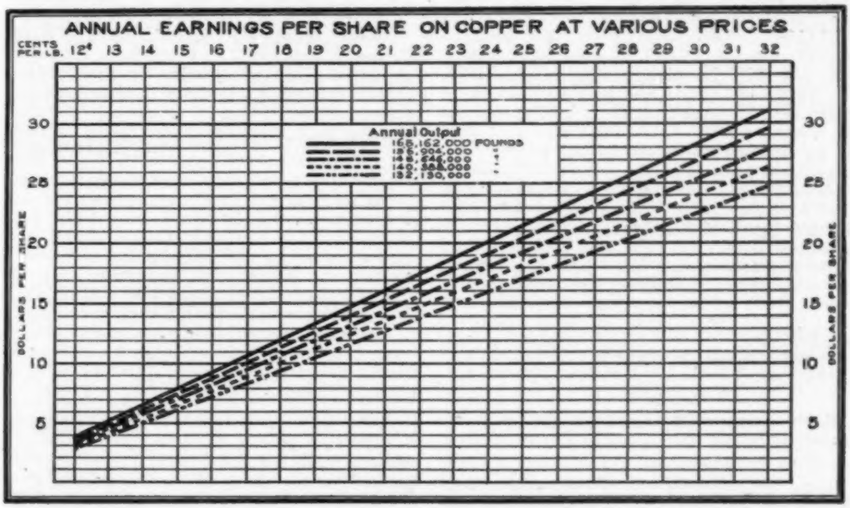
Present Output

During the last few weeks the Inspiration mill has been setting a new record with the treatment of slightly more than 1,000 tons of ore per unit daily. With the plant in full operation this would mean the handling of more than 20,000 tons of ore per day, which was the rec-

ord of the two Utah mills up to about a year ago.

Should the mills operate on the basis as set down in the first column of the table following, the result would be found in the columns following (final 000 omitted in first 3 columns):

Daily output, tons	Annual output, tons	Yield in copper, lbs.	Earn. per share at 1c. per lb. profit
16	5,840	132,130	$1.09
17	6,205	140,388	1.16
18	6,570	148,646	1.23
19	6,935	156,904	1.29
20	7,300	165,162	1.36



In the above table the copper yield is estimated by using the 1916 ratio of 22.625 pounds of copper per ton of ore. The earnings per share are after an allowance of $750,000 has been made for depreciation, and a deduction of 2 per cent for the Federal Income Tax.

The company has set up a reserve to meet the impending excess profits tax. For the first quarter of the year it is reported that this reserve was on the basis of an 8 per cent tax, but that may have to be increased should the measure on the statute books call a greater amount.

Future of Inspiration

Figuring costs over a period of years at 9 cents a pound, it appears, without making allowance for the war tax, that the company's present dividend rate is secure with copper selling at 17 cents a pound or better and the property operating at capacity. At the price of 58, at this writing, the stock yields better than 13 per cent.

The problem affecting the long pull investor, then, is the price of copper over a period of years after the war. No less an authority that Mr. Adolph Lewisohn expresses the opinion, in an interview appearing in this issue, that 20 cents a pound is not an unreasonable average price of copper to expect for a long time after the war ends. It would appear, therefore, that Inspiration has not discounted market-wise its potentialities.

Mining Notes

Alaska Gold.—Report, first quarter, 1917, shows gross revenue of $539,488, mining profit of $108,740 and a total operating profit of $113,043. There were 541,093 tons milled, having a gross value of $1,207. Total profit per ton was 20.9 cents.

Alaska Juneau.—Report, year ended Dec. 31, 1916, shows gross returns from bullion of $84,020. Operations were conducted at a net loss of $1,642, compared with a net loss in 1915 of $544,700. Balance sheet as of Dec. 31, 1916, shows cash account $361,289.

Anaconda.—Net profits of $50,828,327, equivalent to $21.80 a share, tripled 1915 earnings of $7.16 a share, and were about six times greater than the 1914 profits. Balance carried to surplus after all charges was $33,343,997. This was an increase of $25,973,189 over 1915, and in striking contrast with the $287,911 deficit reported in 1914. The 1916 total profit and loss surplus stood at $48,395,862. April output returns brought production for the first four months of 1917 up to 113,850,000 pounds, compared with 106,400,000 pounds in the corresponding period in 1916, an increase of 7,450,000 pounds. The investment in Greene Cananea was brought up to 56,900 shares by the purchase of 26,100 shares. There was also acquired 20,740 shares of Alice Gold & Silver Mining Co. and 188,300 shares of Butte Copper & Zinc Co.

Braden.—Reported April production at 5,102,000 pounds of copper, compared with 5,942,000 in March, 3,450,000 in February and 4,798,000 in January, 1917.

Butte Copper & Zinc.—Engineer Glen Anderson wired that a body of rich ore zinc has been struck on the 1,600-foot cross-cut.

Butte & Superior.—Reported production of zinc, in concentrates, for the month, as 12,400,000 pounds; silver, .250,000 ounces. Tonnage of concentrates was 13,500, with a recovery of 87%.

Calumet & Arizona.—Reported April production as 5,900,000 pounds of blister copper.

Caledonia.—Operating in the lead-silver district in Idaho ,earned $305,403 net profits in the first quarter of 1917, against dividend requirements of $234,450, at 3 cents monthly. The earnings were at the rate of 47 cents a share per annum. No new mine developments were reported.

Cerro de Pasco.—This company, May 9, 1917, declared an extra dividend of 50 cents, in addition to a quarterly dividend of $1 a share, payable June 1 to stock of record May 18. Company reported production in April as 5,936,000 pounds of copper, compared with 6,074,000 in March, 5,352,000 in February and 6,172,000 in January, 1917.

Chile.—Reported production in April as 8,028,000 pounds of copper, compared with 8,714,000 in March, 6,056,000 in February and 6,000,000 in January, 1917.

Chino.—Total income of $2,992,072 for the first quarter of 1917 is equal to $3.44 a share, or at the annual rate of $13.76 a share. This compares with $3.15 a share in the corresponding quarter of 1916 and $3.94 a share in the last quarter of 1916.

Cresson Consolidated.—In April continued to earn more than dividend requirements and to put in sight more new ore than was extracted. Net profits of $131,235 for the month compare with dividend requirements of $122,000 at 10 cents monthly. Cash on hand May 7 was reported at $1,164,815, against $1,077,046 April 1. Ore reserves show an increase to $4,044,929 net profit value as of May 7. Ore and cash as of that date amounted to $4.58 a share.

Dome Mines.—Reported tonnage milled during April, 1917, as 28,900 and bullion produced $132,000, compared with tonnage milled in March of 36,700 and bullion produced of $175,000.

East Butte.—Only once before, in July, 1915, has the April output of East Butte, 2,081,080 pounds, been exceeded, and only twice before, July and September, 1915, did output cross the 2,000,000 mark. The gross value of East Butte's 2,000,000-pound April output was over $600,000, thereby breaking all records. To May 1 East Butte outputted 6,618,380 pounds, as compared with 5,145,060 pounds in the same period the previous year, a gain of 28%, or 1,473,320 pounds. For the first quarter of 1917 East Butte earned between $450,000 and $500,000, which is at the rate of $2,000,000, or nearly $5 a share.

Federal Mining & Smelting.—Has posted the regular quarterly dividend of $1.75 per share on the 7% cumulative preferred stock, payable June 15 to stock of record May 22. The same rate was paid three months previously, comparing with $1.25 in December. It appears that for 1917 the company will pay the full 7% rate for the first time since 1911. The company is earning in recent months at the rate of about $12 a share on the preferred.

Gila Copper Sulphide.—Report, quarter ended March 31, 1917, shows net earnings of $128,993, or more than 34% on the present outstanding capital. The production exhibit for this period, with equipment shut down for nine days and with limitations at the Hayden smelter of American Smelting & Refining Co. shows that there was turned out 968,778 pounds of copper, 7,076 ounces of silver and 148 ounces of gold.

Goldfield Consolidated.—March report shows net profits of $19,727 on a production of 20,000 tons.

Granby Consolidated.—Reported April production as 3,775,140 pounds of copper, compared with 3,901,398 the previous month.

Greene Cananea.—Produced in April, 4,730,000 pounds of copper, 135,880 ounces of

silver and 750 ounces of gold, compared with March production of 5,500,000 pounds of copper, 161,410 ounces of silver and 860 ounces of gold. Mexico has practically doubled the bullion tax, which will add another burden to American-owned mining companies in that country. In the case of Greene Cananea it will add another one-half cent a pound to the cost of producing copper.

Inspiration.—In April produced 11,400,000 pounds of copper, compared with 11,000,000 in March, 10,250,000 in February and 11,600,000 in January, 1917.

Jerome Verde.—Voted to increase the capital stock from $5,000,000 to $5,500,000. The 500,000 new shares are to be offered to stockholders at $1.50 on the basis of one share for every ten shares owned. The privilege expires June 14.

Kennecott.—Reported April production as 7,180,000 pounds of copper, compared with 7,076,000 in March, 7,090,000 in February and 7,080,000 in January, 1917.

Kerr Lake.—April production of 250,683 ounces of silver was the largest in at least three or four years. It was the fourth consecutive month in which production exceeded 200,000 ounces. Assuming an average cost of 30 cents an ounce, Kerr Lake in April must have earned $100,000, compared with $96,000 in March, or approximately 16 cents a share in each month.

Michigan Copper.—Report of Dec. 31, 1916, shows: Sales of copper, $16,075; assessments, $25,961; total receipts, $42,036; expenses, $71,701; taxes and construction, $10,925; deficit for year, $40,590. The balance sheet as of the above date shows: Cash, $4,017; cash and supplies at mine, $20,969; accounts receivable, $9,287; total assets, $34,264; liabilities, $192,761; deficit, $158,497.

Nevada Cons.—Report, quarter ended March 31, 1917, shows: Net earnings, $3,238,474; depreciation, $216,558; balance, $3,021,917; dividends, $1,999,457; surplus, $1,022,459. Balance of $3,021,917, before dividends, for the first quarter of 1917 is equivalent to $1.51 a share earned on 1,999,457 shares of capital stock, compared with $1.27 a share earned during the corresponding period of 1916.

St. Joseph Lead.—Declared a quarterly dividend of 25 cents a share and also a distribution from the reserve amortization of 50 cents a share, both payable June 20 to stock of record June 9.

Shannon.—Production for April was 924,000 pounds of copper, compared with 950,000 in March, 880,000 in February and 759,000 in January, 1917.

Shattuck, Arizona.—Production for April was 1,482,232 pounds of copper, 164,979 pounds of lead, 12,23[illegible] ounces of silver and 180 ounces of gold, compared with March production of 1,518,436 pounds of copper, 278,778 pounds of lead, 18,176 ounces of silver and 200 ounces of gold. April, 1916, production was 1,366,830 pounds of copper, 130,570 pounds of lead, 19,849 ounces of silver and 353 ounces of gold.

Tennessee Copper.—Has applied to list $2,000,000 of this company's first mortgage 6% 10-year convertible sinking fund bonds, Series A, due Nov. 1, 1925, to the N. Y. Stock Exchange. Copper production in 1916 was 9,404,295 pounds from company ores, with additional 806,243 pounds from custom ores. This compared with 12,750,418 pounds in 1915, 12,871,113 pounds in 1914 and 13,493,140 pounds in 1913. Output in the first three months of 1917 from the company's own ores was 3,119,471 pounds, or at the annual rate of close to 12,500,000 pounds, nearly normal production.

United Copper.—Reported March earnings of $24,000 net, comparing with monthly dividend requirements of $10,000. The February earnings amounted to $22,000.

Utah.—In its report for the quarter ended March 31 set aside $1,280,000, or at the rate of over $5,000,000 per annum, to meet excess tax on corporations—whatever it is finally decided this tax shall be. This is equivalent to no less than 3.142 cents per net pound of copper produced and is almost a 50% increase in total costs.

MARKET STATISTICS

		Dow Jones Avgs.		50 Stocks			Breadth
		20 Inds.	20 Rails	High	Low	Total Sales	(No. Issues)
Monday,	May 7	91.20	92.41	79.22	78.26	436,700	210
Tuesday,	" 8	90.22	91.79	79.53	78.01	414,700	210
Wednesday,	" 9	89.08	90.63	77.81	75.77	873,200	253
Thursday,	" 10	90.41	91.88	78.16	76.68	469,700	210
Friday,	" 11	89.77	91.02	78.34	77.43	417,300	187
Saturday,	" 12	89.92	91.04	77.85	77.04	220,700	153
Monday,	" 14	90.78	91.35	78.59	77.46	451,500	190
Tuesday,	" 15	90.19	90.73	78.20	77.42	402,800	179
Wednesday,	" 16	92.26	92.06	79.30	77.81	729,900	204
Thursday,	" 17	92.75	92.89	80.22	79.03	960,400	211
Friday,	" 18	91.96	92.76	80.54	78.89	878,500	215
Saturday,	" 19	92.38	92.95	79.53	79.07	242,500	153

Mining Inquiries

Shannon-Nevada Cons.

H. A., East Liberty, Pa.—Shannon Copper should experience a speculative advance in the near future, with the trend of the market upward, and with copper and steel issues leading the advance. The stock, of course, is selling on a speculative basis and is not worth holding as an investment, for this company is a high cost producer and cannot make enough money to justify the present selling price of the stock with a return to normal copper prices. There are none of the low priced copper issues on the Curb or New York Stock Exchange which we particularly favor at this time, with the possible exception of Nevada Consolidated. The last annual report of the latter company showed a very large increase in its ore reserves. One depressing factor with Nevada Consolidated stock has always been the recognition of the comparatively short life of the mine should no further ore be discovered. The known life of the mine has now been extended for a number of years beyond the previously accepted estimates. The stock is selling around 23½ and paying dividends at the regular rate of $2 a share per annum with extras. The last extra was 50c. a share. The company can keep up paying this extra, which would mean dividends of $4 per annum, and would give a very handsome return on the present selling price of the stock. As a speculation, Nevada Consolidated appears to be very attractive, but we suggest that any purchase be protected with a stop loss order, so that the risk will be limited in the event there is any sudden reversal in the market situation.

Anaconda

B. P. N., New York City.—Anaconda has one of the greatest vein mines in the world. Of course, the life of a vein mine can not be determined for many years ahead, and it is impossible to tell whether Anaconda's ore will be exhausted within the next ten, twenty or thirty years. One thing is certain, however, that is, that the company is ably managed. Anaconda is continually adding to its productive and prospective properties, and will doubtless continue to do so in order to insure as far as possible its continued existence. It is significant also that the Anaconda mine produces better results year by year. Due to superb organization, efficient methods and a consistently progressive policy; Anaconda has steadily reduced its ratio of operating expenses to gross revenues. This has enabled the company to take the utmost advantage of prosperity periods, and also to remain a profitable enterprise even in periods of depression.

In 1916 Anaconda earned $21.80 a share. It is estimated that earnings are now running at the rate of about $25 a share per annum. On the basis of twenty-five cent copper metal, it is figured that Anaconda could earn $20 a share. Practical testimony to the company's big earnings in the last year was afforded by the payment of $16,000,000 two-year notes a few weeks ago. This payment was met out of accumulated profits in the treasury. With these notes out of the way, a saving of $800,000 per annum is effected on interest charges. In consideration of the large earnings and the strong financial position of the company, the prospects are excellent for the payment of extra dividends.

Switch to Anaconda

D. B., Chicago, Ill.—Ray Consolidated and Utah Copper are now both selling on a speculative level. You would be unwise to hold these stocks for permanent investment. However, we expect both of them to experience a further speculative rise in the near future. It would be advisable for you to protect your commitments with stop orders and follow up any advance in the stocks with your stops, so that you will be at all times protected in the event of a sudden reversal in the market situation. On second thought, we are going to suggest that you switch out of Utah Copper into Anaconda, for the latter has much better prospects of a substantial advance in the near future than Utah.

Kennecott

L. R. B., Pittsfield, Mass.—If we attempted to prophesy that Kennecott Copper would or would not maintain its present rate of dividends for the next fifteen years, we would be assuming a knowledge which we do not profess to have. Kennecott is a mining proposition. All mines are speculative, especially such vein mines as Kennecott has in Alaska, for no one can tell how much ore is beneath the ground. There is in sight in the Bonanza Mine about six years' supply of ore. Whether or not this is the maximum ore in reserve cannot be determined. Of course Kennecott has interests in Utah Copper, of whose stock it owns about 600,000 shares. It also owns the Braden property in South America, which is a large potential producer. But on the whole, Kennecott is decidedly risky speculation, and we do not recommend that one in your position purchase the stock.

International Nickel

M. M. S., New York City.—International Nickel has a par value of $25 a share. The company is reputed to be earning about $10 per share on its stock, and is paying dividends, at the rate of $6 per share per annum. The fly in the ointment in the case of Nickel is the Canadian taxation. The latest reports indicate that unless there is some special exemption for the company, the new taxation program will seriously affect the company's earnings. Furthermore, there is a possibility for a quite heavy taxation by the United States Government.

Standard Oil of New Jersey

Why It Is a Greater Corporation with Apparently Greater Possibilities Today Than Before the Dissolution — Prospects for the Stock

By GEO. S. PHILIPS

THERE is only one way to attempt to study the possibilities of Standard Oil of New Jersey stock; that is to draw freely on the imagination. The world's greatest corporation was conceived in the imagination of John D. Rockefeller when he clerked in a grocery store 50 years ago, and dreamed of it. Although it exists in very actual form to-day, with all its wonderful globe encircling activities, with an influence that is world wide and probably greater resources than belong to any single corporation in the five hemispheres, we can still conceive of its magnitude, influence and wealth only in the imagination.

An Impossible Balance Sheet

There is available no balance sheet of the Standard Oil Company of New Jersey for the Wall Street statistician to pore over. He has no chance to analyze income accounts, surplus, current assets, working capital, etc. Perhaps he is just as well off, for if the Standard Oil of New Jersey undertook to issue a real income account and balance sheet showing the operations and financial condition of itself and subsidiaries and allied companies, the most expert statistician would have a truly enormous task to analyze it.

Just imagine a detailed statement from the Standard Oil of New Jersey like that demanded from the railroads by the Interstate Commerce Commission. The job would be the biggest one in accounting ever undertaken. And even were this report available, we should be in the dark as to the value of the company's assets. For there are so many intangible elements which enter into the appraisal of such an enterprise that it would be next to impossible to arrive at accurate figures. It might be a comparatively easy thing to estimate the tangible value of the assets of a single subsidiary. But when it came to judging the value of all the parts in relation to the whole and the whole in relation to the parts, it is doubtful if it could be done.

A Greater Corporation

Standard Oil of New Jersey in the dissolution lost 33 subsidiary companies, whose stocks to-day have a combined market value three times that of the stock of the parent company before they were separated from it. Yet the parent company, itself, is probably bigger and wealthier to-day and has greater resources at its command that it did before the dissolution. At least, that is the case if we may accept the market valuation placed on the stock as any criterion. It sold a short time ago at $803 a share, the highest price on record, comparing with around $600, shortly before the dissolution decree became effective.

Subsidiary Companies

When divested of over thirty subsidiaries in 1911, it was thought that what remained of the New Jersey Co. was little more than a shell. The companies remaining to it are shown in the accompanying table.

These companies have been developed in a remarkable way, especially in the last few years, excepting, of course, the units in that part of Central Europe now shut off from the outside world.

In Canada, for instance, the Imperial Oil Company has had a tremendous expansion and its subsidiary, the International Petroleum Company, is making more rapid strides than ever. The New Jersey Company, as shown, owns 80 per cent of stock of the Imperial Oil Company. The latter's authorized capitalization was increased to $50,000,000 in 1915 to put the company in a position to take care of the future growth of its business. Of this stock there is now

issued only $22,000,000, but the shares are selling at around 350, which makes the New Jersey Company's 80 per cent interest worth over $60,000,000. The Imperial Oil Company operates two of the most modern refineries in the world, located at Sarnia, Ontario and Vancouver, B. C., the former having 13,000 barrels capacity and the latter 4,500. Ground for a third refinery has been broken at Regina in Saskatchewan, where a $1,500,000 refinery and marketing station will be erected to supply the great agricultural section of the Canadian northwest. A fourth refinery is building at Halifax, Nova Scotia, which will handle Trinidad oil and asphalt. Ground has been purchased for a refining and marketing plant at Quebec and negotiations are in progress for a refinery site at Toronto. The company has spent between $2,000,000 and $5,000,000 annually for the past three years on plant expansion.

Louisiana & Oklahoma Property

The expansion of New Jersey's interests in Louisiana and Oklahoma has been entirely overshadowed by the publicity given to the growth of other companies in that territory. This is as the New Jersey company would have it. But it can be safely assumed that the big corporation is not behind the procession.

In Louisiana there is the Standard Oil Company of Louisiana with its superb refinery at Baton Rogue, representing an investment of $6,000,000, exclusive of pipe lines. The plant has a charging capacity of 40,000 barrels a day. It occupies several hundred acres along the Mississippi River, on which are located tank farms, etc. There is a deep water loading station which gives the company an export outlet. The Louisiana company owns extensive producing property in Louisiana, while in Oklahoma it draws from the Carter Oil Company, a sister subsidiary. The latter owns some of the cream of Oklahoma property, property, too, for which it did not pay exorbitant prices because the money was at its command to buy in less prosperous times. The Carter Oil Company has the

COMPANIES CONTROLLED BY STANDARD OF N. J.

Company	Total Capital Stock	P. C. of Stock Owned by S. O. of N. J.
American Petroleum Company	$3,140,000	51.3%
Bedford Petroleum Company	350,000	99.3
Carter Oil Company	2,000,000	100.0
Clarksburg L. & H. Company	100,000	51.0
Deutsch-American Petroleum Co.	M9,000,000	100.0
Gilbert & Barker Mfg. Company	40,000	100.0
Hazlewood Oil Company	.....	.....
Hope Natural Gas Company	500,000	100.0
Imperial Oil Company, Ltd	22,000,000	80.0
Interstate Cooperage Company	200,000	100.0
† International Petroleum Co., Ltd	15,000,000	.....
Marion Oil Company	100,000	50.0
Oklahoma Pipe Line Company	5,000,000	100.0
Pennsylvania Lubricating Company	50,000	60.0
Peoples' Natural Gas Company	1,000,000	100.0
River Gas Company	190,000	52.6
‡ Romano-Americana	5,000,000	.....
Standard Oil Company of Brazil	500,000	100.0
Standard Oil Company of Louisiana	5,000,000	100.0
Soc. Italian-American Petroleum	1,000,000	60.0
Taylorstown Natural Gas Company	10,000	30.0
Underhay Oil Company	25,000	98.8
United Oil Company	3,000,000	.....
§ West India Oil Company	3,000,000	99.3
West India Oil Refining Company	300,000	50.0
West Virginia Oil Company	200,000	50.6

† Subsidiary of Imperial Oil Company.
‡ Capitalization doubled out of 1913 earnings.
§ Capital increased from $100,000 in July, 1915.

second largest amount of oil in storage of any company in the Mid-Continent, being exceeded only by the Prairie Oil & Gas Company.

The New Jersey Company proper is confined in the retail marketing field to the State of New Jersey, but it distributes petroleum and its products on a wholesale scale over a vastly wider territory in the United States. It buys and sells from the large and small refiners and producers throughout the Eastern and Mid-Continent fields.

The company is heavily interested in the natural gas properties throughout Pennsylvania, Virginia, West Virginia, Kentucky and Ohio. Everyone is familiar with the enormous earnings of natural gas companies in the last two years, yet no one hears very much about the quiet profits Standard Oil of New Jersey subsidiaries in this line are piling up.

The Foreign Business

One of the greatest, and what will doubtless be the most far-reaching development for the New Jersey company, has been the building up of its marine equipment. The company has the largest tonnage owned by any single American corporation not engaged primarily in the shipping business. Its fleet, including those vessels under construction and to be completed by the end of 1917, aggregates 313,992 tons.

This building up of its fleet exemplifies the far-sighted policy of the company. It will be in a position after the war to continue to dominate the foreign petroleum market and to maintain American supremacy in the oil trade of Europe.

Unprejudiced people concede that if it hadn't been for Standard Oil our foreign markets for petroleum may have never existed except in a small way. Russia might have had the cream. Some alarmists now predict that Russia, with her vast areas of undeveloped oil land, will spring up like a young giant after the war and will take the palm in oil from America. But if there is any such menace, just depend on it that the Standard Oil Company of New Jersey will be one of the beneficiaries sooner or later, for it is not overlooking any opportunities to expand in either foreign or American fields.

The foregoing is just a general summary of the activities of the Standard Oil Company of New Jersey. The imagination of the reader must do the rest. We cannot tell you how much any one or any group of the subsidiary companies has earned or is likely to earn.

The only inkling that has been had as to the earning capacity of the big corporation since the dissolution is contained in the report of the Federal Trade Commission on its gasoline investigation.

That statement showed that the company earned $51,591,569 net in 1915. Its surplus at the first of the year was $149,-979,868, including $31,923,909 which was added to surplus during the year. It showed that the net investment at the beginning of 1915 totaled $249,979,868, against an issued capital of $100,000,000. The indicated earnings on the stock in 1915 amounted to a little over 50 per cent.

The Future of the Stock

The Standard Oil Company has never drained its treasury by distributing money in dividends. Its principle of doing business is that money makes money and so it puts its profits to work. That is the reason the company has been able to take the utmost advantage of every boom and every depression that has ever occurred in the oil industry. A continuation of that policy insures its future growth.

One who puts his money in Standard Oil of New Jersey stock now may not be sure that he is buying it at the lowest price at which it will sell within the next few years, but it is entirely logical, it seems to us, to suppose that the potential value of the stock to-day is as little appreciated by the average outsider as it was before the dissolution. Then it was that those who were in control of the policies of the company were planning for years ahead. They are still planning for years ahead. They are picturing the development of the oil industry ten years hence, just as they pictured it ten years ago, and they are still holding their stock to-day just as tenaciously as they held it ten years ago.

Oil Notes

Barnett Oil.—A well, with a production of 60 barrels a day, was completed on the company's acreage in the Irvine field of Kentucky. This well brings the company's total production up to 1,315 barrels a day. This is an increase from 800 barrels a day only about two months previously.

Empire Gas & Fuel.—March report shows that the number of producing wells has reached 1,112, of which 55 were drilled in March. Production is running at over 33,000 barrels a day. At the close of March the company had a total of 374 gas wells, of which 47 were drilled during the month.

Federal.—Completed four wells in 10 days in the Irvine field, Kentucky, increasing consecutive number of completions at 33. These wells are averaging more than 100 barrels initial daily production.

General Petroleum.—Earnings statement, nine months ended March 31, 1917, shows net profits of $1,811,251, equal to $12 per share on the common, after setting aside 7% dividends on $3,200,000 preferred.

Homa.—Three large wells were reported to have been drilled adjacent to the Marion property, a subsidiary of the Homa Oil Co., in Okmulgee County, Okla. The wells are said to be averaging 400 to 600 barrels a day each. Active drilling operations have been begun on the Marion property.

Indiahoma Refining.—Purchased the oil properties of the Gates Oil Co. in the Healdton field for $3,500,000. The Healdton leases involved in the transaction have a daily production of about 3,500 barrels. On the properties are 1,000,000 barrels of stored oil. About 2,000 acres of land are covered in the deal. It is understood that the Indiahoma company will lay a pipe line from the Healdton holdings to the company's refinery at Okmulgee, Okla.

Paragon.—Consummated a deal to take over property in the Oklahoma and Kansas oil fields valued at $8,000,000. Oil lands, leases and wells in the most productive section of the Oklahoma fields are involved. The production capacity is said to be 3,000 barrels daily.

Sapulpa.—Has begun the construction, 20 miles northwest of Sapulpa, of a $50,000 gasoline plant. The company also is laying a pipe line from the Shamrock field to its refinery at Sapulpa. Gross earnings of the company for March were $385,000, an increase of more than $100,000 over the total for February. The company is getting $1 a barrel over current prices for some oil because of its ability to ship in its own tank cars, this being one of the independents with adequate car equipment.

Sinclair Gulf.—Has become the second largest shipper of petroleum from Tampico, Mex. The total for January was 205,816 barrels, February 277,909 barrels and March 367,484 barrels.

Sinclair Oil & Refining.—Consolidated income account, three months ended March 31, 1917, shows a balance of $2,873,778 available for dividends before depreciation. Gross amounted to $3,199,022, and expenses and interest totaled $325,243.

South Penn.—The following notice has been sent to all field buyers for the South Penn Oil Co.: "Please stop buying Corning oil until further notice. The reason for this is that the Buckeye Pipe Line Co. will not accept tender of shipment from us for 80,000 barrels, and that the Atlantic Refining Co. stands ready to buy. Although we have a balance of 134,000 barrels in the Buckeye line at present writing, the Buckeye's claim is that if they accept this tender of shipment from us they will lose the storage on this oil. We will be able to resume buying the Corning oil whenever the Buckeye Pipe Line Co. treats us the same and offers the same facilities to us that every other pipe line does with whom we do business."

Standard of Kansas.—Declared the regular quarterly dividend of 3% and an extra of 2%, payable June 15 to stock of record May 31.

Standard of N. Y.—This company's shares have been the most active of the Standard Oil shares since the first of 1917. Since Jan. 2, 1917, there have been 22,244 shares of Standard of New York dealt in on the New York Curb. This is an average of 211 shares a day, or about 600% greater than any other Standard stock. Company declared a quarterly dividend of $3 a share, payable June 15 to stock of record May 19. This is an increase of $1 from previous quarterly payments.

Texas Co. of Mex.—To facilitate the transaction of its business in Mexico, the Texas Co. organized the Texas Co. of Mexico, S. A., a corporation formed under the laws of the Republic of Mexico and capitalized for 2,000,000 pesos.

Union of California.—Brought in a well on its International lease, formerly the Coronation, in the Maricopa field. It was brought in with a daily production of 3,500 to 3,700 barrels of oil testing 27 degrees gravity. The new producer was completed at a depth of 3,329 feet.

Ventura.—Directors voted to issue $1,000,000 7% five-year debenture notes convertible into stock at $10 per share. The large stockholders have informally approved of the note issue, which has been underwritten for a commission of 5%. Payments on subscriptions will be 50% July 1 and 50% July 1.

Oil Inquiries

Standard Oils

R. H. N., New Haven, Conn.—Changing conditions and new developments have their effect on all security values, and it is important at all times to consider the price of any security as related to the immediate future as well as to the more distant future. Our advice to sell Standard Oil securities and not to buy them within the last two or three months, has been based on a judgment of the probabilities with regard to the immediate future price movement in such stocks. Is it not better for investors, particularly small investors, to buy stocks at low prices and reap the benefit of the advances rather than to buy them at high prices and hold them through a decline, even though they come back and exceed their former high prices?

Had you written us several months ago we would doubtless have advised you to defer buying even such high grade stocks as Atlantic Refining and Standard Oil of New Jersey, but as the situation now is, you would have to take a loss if you sold these issues, and since you have already held them through considerable of a decline, we think you would do better to keep them now, even though you incur the risk of carrying them through a further decline. Bear in mind that it is your own individual position on these stocks which we are taking into consideration in making this recommendation. We are still disposed to the view that with possibly one or two exceptions, it is inadvisable to buy Standard Oil stocks as permanent investments now.

Metropolitan Petroleum

A. B. A., Washington, D. C.—Metropolitan Petroleum's market history is a record of apparent flagrant manipulation and discreditable dealings. The company claims to own valuable oil properties in Mexico. There is no way of determining in the first place how valuable these properties are, and in the second place, there is no definite proof of their being actually owned wholly by the Metropolitan Petroleum Co. so far as we have been able to learn. We have been informed that certain inside interests borrowed heavily on a very large block of stock which was used as collateral at the time the stock was selling between $14 and $20 a share.

Two Oils

B. O. F., Evansville, Ind.—Oklahoma Oil is the riskiest kind of a speculative stock. This company is a holding company, and we have never been able to get any very definite information as to the value of its interests in subsidiary organizations. Our impressions of the reports and conflicting statements circulated about the stock, however, have been very unfavorable, and we have very little confidence in the entire proposition.

Sapulpa Refining has been held down on account of general uncertainties in the market situation. Furthermore, this stock has been heavily distributed at higher prices when it was selling above its intrinsic value. The company is a fairly substantial organization, but it is pretty well recognized that it is not the kind of an enterprise which can continue to be a consistent money-maker under less favorable conditions for the oil industry. It is one of those companies which has risen on the boom, and will no doubt lose ground when the tide recedes. We favor this stock less than many others of the oil issues, but we can also say that there are very few of the independent oil stocks which it is advisable to hold as investments at this time. They all have speculative possibilities, but even from a speculative standpoint, the risk of loss outweighs the possibility of profit.

International Petroleum

T. M. O., Mentor, Ohio.—International Petroleum undoubtedly has very great potentialities, but there is nothing in the present or immediate outlook for this company to warrant special optimism on the stock at this time, and we do not think you would lose anything by deferring a purchase. The stock is not paying dividends, nor is it likely to pay dividends for a very long time.

Galena Signal Oil

M. C.—Galena Signal Oil common may go lower temporarily, but at its current level it should prove a very desirable investment to hold for income.

Midwest Oil

T. L. D., Caldwell, Idaho.—Midwest Oil has certain attractive features to recommend it as a speculation and with market conditions continuing favorable to advancing prices in the near future, we expect it to sell somewhat higher, but we caution you that there is considerable risk in buying the stock.

S. O. New Jersey—New York

W. W.—It would be inadvisable for you to sacrifice Standard Oil of New Jersey at its current quotation, unless you are in a position where you could not carry the stock through a possible further decline. Over a period of years, Standard Oil of New Jersey should show a very great enhancement in value.

It would probably be advisable to dispose of Standard Oil of New York on any substantial rally above its present level, but this stock should also show you a profit in the long run if you continue to hold it. The position of this company, however, is not as strong as that of the Standard Oil Co. of New Jersey.

UNLISTED SECURITIES

Outlook for the Phonograph Industry

An Opinion by F. S. Whitten, President American Graphophone Company.

F. S. Whitten

IN response to the many inquiries which THE MAGAZINE OF WALL STREET has received lately regarding the outlook for the phonograph business, this publication asked Mr. F. S. Whitten to give us his views as to the present status and prospects for the industry.

Francis S. Whitten

Francis S. Whitten was recently elected president of the American graphophone Company, replacing Philip T. Dodge, resigned and elected chairman of the board. That move represented a shift of control to Wilmington interests who had obtained a large interest in the stock of the company by direct purchase and in conjunction with other banking interests. Mr. Whitten became associated with the banking house of J. S. Wilson, Jr., of Baltimore. In 1913 he formed the banking firm of Laird & Co., Wilmington, Del., which is closely allied with the duPont interests.

As the American Graphophone Co. is one of the two largest concerns in the phonograph industry, the other being the Victor Talking Machine Company, Mr. Whitten is in a position to speak authoritatively on the phonograph business. He said in part:

"In common with other manufacturing businesses which do not deal with actual necessities of life the immediate future of the phonograph industry is somewhat obscured. To date the demand for our products has continued very good and sales for this year are considerably ahead of the same period of last year. There are numerous factors in the situation, however, which make it impossible to forecast with exactitude the trend of events. Personally I am very optimistic on the outlook. I believe when things have settled down and the American people have readjusted themselves to the new situation we shall see a great business activity in almost every line. Nor do I think that time is very far distant.

There are numerous new features, of course, among the most important of which are the high cost of materials, labor shortage, heavy taxation and transportation problems, etc., which will have to be taken into consideration in making any forecast, but, judging from our experience with our London and Canadian branches during the last two and a half years, we should continue to enjoy a splendid business here in the United States in many lines of industry."

Merger Rumors Denied

Regarding the wall Street rumors that the American Graphophone Company has exercised an option on the stock control of the Victor Company and has an option on the control of the Edison Company, Mr. Whitten made unqualified denial. He said that no such action had been taken or was contemplated by his company or the interests behind it.

In this connection it may be pointed out that such a combination would in all probability meet with legal obstacles.

Unlisted Security Notes

Ætna Explosives.—Judge Mayer in the U. S. Dist. Court at N. Y. authorized ex-Gov. Odell and ex-Judge Holt, as receivers, to enter into a contract with the British Imperial Munitions Board for smokeless powder at 57 cents a pound. This is in effect a modification of a contract placed in October with Ætna Chemical Co., Ltd., a Canadian subsidiary corporation, for 9,000,000 pounds, to be delivered at the rate of 1,500,000 pounds a month, at 50 cents. The receivers state that the company lost money at that rate and is now 3,250,000 pounds in default of its contract.

California Packing.—Has applied to the N. Y. Stock Exchange to list $10,000,000 7% cumulative convertible preferred stock and 350,000 shares of common without nominal or par value.

Canada S. S. Lines.—Declared an extra preferred dividend of 5¼% on account of accumulated dividends, payable June 15 to stock of record June 1.

Carbon Steel.—The suit brought against company to restrain it from paying an extra dividend of 2% on the common stock has been decided in favor of the company. Checks for the extra dividend have been mailed to the stockholders.

Carter's Ink.—Has purchased the business of the Diamond Paste Co., of Albany, N. Y. The fire, which destroyed the Diamond company's plant in Albany, caused it to decide to sell out rather than rebuild.

Central Aguirre Sugar.—Declared an extra dividend of $10 a share, payable June 1 to stock of record May 21.

Curtiss Aeroplane.—Has taken an additional order from the British Government for $15,000,000 worth of aeroplanes, motors and parts, making total orders now on the books for the British Government $30,000,000. This order will in no way interfere with the turning out of aeroplanes and motors for the U. S. Government. The Curtiss plant has been inspected and approved by officials of the U. S. Army Board and the U. S. Government has taken an option on $35,000,000 of the company's production for the ensuing nine months. It is estimated that the company's plants can complete this amount of work in that period, while at the same time working on the British order.

Eastman Kodak.—Combined net profits, year ended Dec. 31, 1916, and its subsidiary companies amounted to $17,289,206, an increase of $1,547,753 over the preceding year. After deducting preferred dividends amounting to $369,942, the balance available for the 195,328 outstanding shares of common stock was $16,919,264, or equivalent to $86.62 a share.

Evinrude Motor.—Purchased a 10-acre tract of land on the Chicago, Milwaukee & St. Paul main line at North Milwaukee, Wis., for its proposed new factory group, to cost about $250,000 complete, and to consist of a gray iron and brass foundry and machine shop. The company recently increased its capital stock from $350,000 to $600,000.

Holeproof Hosiery.—Following the recent increase in capital from $500,000 to $1,000,000, company announced plans for the erection of a new six-story building and an extension structure of one story at a total cost of $300,000.

Lanston Monotype.—Net after depreciation of $759,741 for the year ended Feb. 28, 1917, is equivalent to $12.66 a share earned on 60,000 shares of capital stock, against $5.76 a share earned the preceding year.

Morse Twist Drill Machine.—Changed the par of its stock from $50 to $100, canceling 12,000 shares at the former figure and issuing 20,000 at the new, giving a total capitalization of $2,000,000 instead of $600,000.

Sharon Steel Hoop. — The Youngstown Iron & Steel Co., recently absorbed, had lost its commercial identity. The Sharon company announced that all commercial operations of the concern would be conducted in the name of the Sharon Steel Hoop Co. Since the Youngstown plant was absorbed, it has been operating at full capacity.

Shinola Co.—Increased its capital stock from $40,000 to $1,000,000.

Standard Screw.—Balance sheet, as of March 31, 1917, shows a profit and loss surplus of $6,249,793, compared with $2,639,290 March 31, 1916. Earnings in the year ended March 31, 1917, are equal to $292.60 a share on the $2,500,000 common stock, after preferred dividends.

Taylor-Wharton Iron & Steel. — Report, quarter ended March 31, 1917, shows total earnings of $249,893, after deducting operating expenses, depreciation, taxes, etc. Surplus after charges and miscellaneous items amount to $91,240. Balance for period, less $33,250 preferred dividend, totals $57,990.

U. S. Shipping Co.—Was sued in the N. Y. Fed. Dist. Court by the Florida Mining Co., which asks damages aggregating $543,817. The plaintiff stated that the defendant violated a contract made on Jan. 30, 1914, to provide vessels of 3,000 tons and over for the transportation of cargoes of phosphate rock from the U. S. to Amsterdam, Rotterdam and other oversea ports. The failure to adhere to the alleged agreement occurred after the beginning of the war.

All our self-made men began as small investors. —*C. M. Schwab.*

Cotton Trade Optimistic

By RICHARD S. SLATER

THE cotton trade is optimistic. War is disturbing conditions but little. The market is steady and the undertone good. The outlook for the future is decidedly encouraging; and this is equally true whether the situation is regarded from the viewpoint of the American cotton raiser or that of the American cotton manufacturer.

Never was a market in better shape to meet the tugs and strains put upon business by war conditions than was the cotton market when this country was finally forced to break with Germany. It is no wonder that some of the Southern Senators, who were at one time the most severe critics of the system of trading in cotton contracts, felt called upon to rise to protest when other Senators, from States which neither produce nor spin cotton, included cotton trading in their wild attacks upon manipulation of food commodities. Under Government regulations practically all of the objectionable features connected with trading in cotton futures have been eliminated, and the contract market to-day is a necessity not only to the spinner but also to the most humble producer in the South. At one time there was a wide difference of opinion between men in the trade and the Solons who criticized cotton trade methods. The lawmakers at last became educated to the situation, and when intelligent legislation was finally enacted the trade gave its hearty support in securing a prompt observance of all the provisions of the act—not in a grudging sense of an observation of the letter of the law, but in an earnest endeavor to bring about better and safer trade methods, which were desired by all. This was but one step, however. Without any law to force them to do so, the American exchanges, as soon as they reopened for business after the close-down which followed the inauguration of the war in Europe, went actively to work to put their houses in order so as to, as far as possible, prevent price manipulation, over-speculation, panics and failures. The loose strings were all tightened long before it became necessary for this country to go to war. This covers the exchange end of the situation; but war found both the American cotton producers and the American cotton manufacturers in a most fortunate position. Bad weather last August prevented an over-supply of cotton, and resulted in prices so high that the South has grown rich much more rapidly than it would have had the crop been larger. There has been no shortage, however; and, in spite of the high prices, American mills have done the largest business in their history with the greatest margin of profit ever known. The American cotton grower and the American cotton spinner were both entrenched behind the profits of a most unusual season when the declaration of war came. In addition to all this, the South this Spring resisted the tempting appeal of high prices and did not over-plant.

The new crop is coming along fairly well. The weather of the early Spring was rather unfavorable, and the start was a late one. Recently, however, there has been decided weather improvement; and June is usually a month during which there are few complaints. Last year the Government placed the condition on May 25 at 77.5, and the start

this year has been no worse than that of last Spring. Of course, a May condition around this figure may mean a very small or a very large crop in the end. Some people are already guessing as to what cotton prices will be during next season, but even the self-hypnotized prophets have not yet begun to tell us what the crop is going to be.

There is an old saying in the trade "that before Christmas production figures make prices, and that after that consumption dominates the situation," but things are different this year. Never was there a season when there was as little talk about acreage and crop conditions. The Government's condition reports this season promise to attract but the mildest sort of attention. As we have pointed out before, the question just now is not one of production or consumption but solely of transportation. The South will raise a cotton crop this year—it always does—although at times the bellowing of the bulls would make us think it was not going to. In spite of the fact that American mills during the next year will unundoubtedly consume more cotton than ever before in their history, the South will raise more cotton—no matter what the weather may be—than the spindles in this country can take care of. There is no longer any possibility of a bumper crop, however, as the South has not planted for one; and, if the mills of our Allies can get the cotton they will want, there is no doubt at all but that every pound raised this year will bring a high price. Some people are already talking 30-cent cotton; but, of course, this is the wildest sort of guessing. As far as the prospects of our being able to move our cotton abroad are concerned, the outlook is far from discouraging. By the time the next crop will be seeking transportation across the seas, this country is going to have a great deal more tonnage available than it has to-day. Not only this, but with the navies of this country and Japan exerting their full power to protect commerce, there is every reason to believe that there will be less danger from submarines than there is at the present time. There is also always the possibility that in the notdistant future some new device will be perfected that will entirely remove the submarine peril. With the curtailment of trading in foodstuffs there will be a renewed interest in the cotton market; and, in spite of the fact that the trade is making no effort to encourage speculation, the public is beginning to show more interest in cotton than for some time past; and the outlook is for a very interesting Summer and Fall.

Wheat Speculation Halted

By P. S. KRECKER

BY abruptly stopping the panicky buying of old crop wheat options the grain exchanges of the country have performed a public service in calming the food hysteria which had swept the country and threatened economic disaster. There was no sense in the reckless upbidding of the price of wheat. Statisticians agree that there is enough in the country to supply all present needs of both the United States and Europe and still leave a small surplus to carry over into the next crop. India and Australia have between them probably in the neighborhood of 200,000,000 bushels available for export were there sufficient ships to carry the wheat. In an acute emergency ships could be diverted from other traffic to transport some of this grain. This is well known to the Allied governments as well as to the United States, but when with a commendable desire to stimulate food production because of the decreased yields throughout the world, the Government urged the public to grow foodstuffs, reason was supplanted by panic and hoarding started. It was necessary that this country, either by voluntary action of private citizens or through Government regulation, follow the example of European countries and fix prices. The outcome has been

the adoption of a compromise policy, which while avoiding the extremes to which European authorities went, has had a salutary effect on prices.

What has been done is this: The grain exchanges of the country have stopped all new business in May contracts of all grains. They further have fixed maximum prices on wheat for July and September delivery. Going still further, they have prohibited fresh buying for long account of any wheat futures. Selling of July and September is unrestricted and shorts are at liberty to cover within the limits of price established. These restrictions for the present are effective for 60 days or until the new crop wheat comes upon the market. The practical effect of the regulations is to limit business in wheat to the cash article and, further, to prohibit all purchases of new crop wheat on contract at extravagant prices before that wheat has been harvested or the size of the crop known. Thus a partial embargo has been placed on exports of wheat, for the Allied governments can only purchase old crop grain for the present. The results of this, the first effort in this country to fix prices, will be watched with keenest interest. Mr. Herbert Hoover, chairman of the Belgian Relief Commission and in that capacity widely experienced in food regulation and distribution, is quoted as saying that maximum price fixing has proved a failure in Europe and that only partial success has attended the fixing of minimum prices. But the regulation of wheat prices here has, so far, differed radically from the practice abroad in that it applies only to options. No arbitrary price is set on the actual or cash article. By this compromise the regulators of values have cleverly avoided the Scylla of rural indignation while at the same time steering clear of the Charybdis of popular clamor against speculation in foodstuffs.

While speculation for the rise has been checked, it is likely that the price of wheat will hold strong for another year at least. It is difficult to figure how the United States can produce a surplus of any importance this year in the light of the last Government report. Even with a full Spring wheat crop, the total production of this grain is bound to be little in excess of domestic requirements. In some respects this year resembles that of 1898. In that season the Winter wheat yield totaled 379,000,000 bushels compared with the indicated harvest this year of 366,000,000 bushels. Spring wheat added 295,000,000 bushels, a yield only exceeded a few times in the history of the crop. Assuming that the Spring wheat harvest this year does exceed that of 1898 and runs as high as 325,000,000 bushels, which is a generous allowance, and that the Government's estimate of the Winter wheat production falls short by some 30,000,000 bushels, we would have a wheat crop of approximately 725,000,000 bushels and at best a theoretical surplus of only about 100,000,000 bushels for export. It is obvious that the ensuing crop year will witness a forced substitution of other cereals for wheat in human food.

Realization of the inevitable substitution of corn and oats for wheat as human food has stimulated interest in those cereals. The statistical position of these two cereals is strikingly different. The visible supply of corn is abnormally low, and less than 25 per cent as large as it was a year ago. The figures at present writing are 4,400,000 this year against 18,000,000 last year. Weekly receipts are falling behind those of last year. In the case of oats, however, the position is entirely different from both wheat and corn. There are plenty of oats in the country. The visible supply is in the neighborhood of 34,000,000 bushels against 11,400,000 at the corresponding period last season. Exports of both these cereals have expanded heavily since the war began. The movement of corn to Europe this year is running far ahead of any previous year. For nine months it has totaled 49,700,000 bushels against 23,172,000 bushels last year, 31,414,000 bushels two years ago and only 6,890,000 bushels three years ago. Exports of oats have begun to take a prominent place in the ocean carrying trade. They have totaled more than 86,000,000 bushels so far this year, compared with 79,900,000 a year ago.

Exports of both cereals will establish new high records.